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# ***Daily Report***

## **East Asia**

FBIS-EAS-95-046  
Thursday  
9 March 1995

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# Daily Report

## East Asia

FBIS-EAS-95-046

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## Japan

### Tokyo 'Perplexed' Over Auto Talks With U.S.

OW0903101095 Tokyo MAINICHI SHIMBUN in Japanese 9 Mar 95 Morning Edition p 11

[FBIS Translated Text] The Japanese Government seems to be perplexed by the fact that the U.S. Government, on the basis of imposing sanctions, is inclined toward taking a hard-line stand in the Japanese-U.S. consultations on the auto and auto parts sector. A source at the Ministry of International Trade and Industry [MITI] states, "Because we have made proposals for facilitating progress at the talks, the ball is now in the United States' court." What is noteworthy is that the Japanese and U.S. Governments have failed to close the gap between themselves on the auto sector issue, which is deemed one of the causes of the yen's appreciation, and the chances for finding a way out are dim.

According to a source concerned, what the U.S. Government "wants most is to achieve results" in promoting its independent plan. Therefore, the United States has pinned its hopes on direct talks with the Japanese auto industry. However, the Japan Automobile Manufacturers Association has refused this proposal, stating that "no such talks can be held." Under this "deadlocked" situation, growing dissatisfaction has been noted among U.S. Government officials concerned. As a result, a suggestion has already been made to move up the deadline for placing sanctions on spare parts.

However, from the Japanese Government's standpoint, this issue involves different factors. In refuting requests for deregulation, an official at the Ministry of Transport says: "As far as we are concerned, those regulations that can be eased will be eased. We have asked that they clearly point out in concrete terms what regulations should be eased, but there have been no clear-cut answers so far. It seems that the United States has not carried out a sufficient study of the issue." Moreover, the same MITI source says, "No reply has been received to our proposal to hold talks on expanding sales of U.S.-made cars."

A government source says, "If the United States should try to unofficially leak information on imposing sanctions instead of doing what it should do, then we may come to have growing dissatisfaction." Thus, if the two governments continue to fail to close the gap, this issue might develop into a genuine "confrontation" [shototsu].

### U.S. Trade Stance Expected To Revive Talks

OW0903124895 Tokyo KYODO in English 1209 GMT 9 Mar 95

[FBIS Transcribed Text] Tokyo, March 9 KYODO—The United States has moved up by five months the Section 301 deadline on automotive trade with Japan to the end of April, government sources said Thursday [9 March].

President Bill Clinton's National Economic Council (NEC) decided during its meeting on March 2 to move the Sept. 30 deadline ahead to April 30, the sources said.

Washington has hardened its trade stance against Japan as a way of clinching some form of compromise from the country in the stalled bilateral talks on autos and auto parts trade, the sources said.

The latest decision is expected to get the deadlocked talks rolling again, possibly within this month.

In Washington on Wednesday, Deputy U.S. Trade Representative Charlene Barshefsky said the two countries plan to resume the talks later this month.

"I believe there will be further consultations at the end of this month and we'll have to see from that point forward," she said.

In Tokyo, however, a senior official at Japan's international trade and industry ministry (MITI) denied that auto trade talks have been set for later this month.

"We have not received any notification from Washington regarding the next auto trade meeting," he said.

At the beginning of last October, ministerial-level auto trade talks between Japan and the U.S. ended in dispute, prompting Washington to initiate a probe into the trade area in line with the retaliatory Section 301 of the 1974 trade law.

The failure resulted from a wide gap over how to improve U.S. access to Japan's auto repair parts and finished auto markets.

The negotiations, part of the bilateral "framework" talks, resumed in January as Washington agreed to respect four Japanese-imposed conditions.

The four conditions include the Japanese Government playing no role in the Japanese automakers' parts purchase plans and the rejection of "numerical targets" as a gauge to assess progress in opening the Japanese market.

In the latest talks, in February, Tokyo proposed a set of measures aimed at expanding the number of Japanese dealers handling U.S.-made cars. Among the steps are selecting several dozen car dealers willing to deal in foreign cars and arrange for them to meet representatives from the U.S. "Big Three" automakers.

Tokyo also proposed the modification of Japan's car inspection system, including an extension of inspection periods and expansion of auto models eligible for inspection at certified garages.

But all these steps fell short of U.S. satisfaction, leading both parties back to the starting point.

The latest U.S. decision on the Section 301 process is designed to win further compromise from Japan, especially its agreement to press Japanese automakers to commit to more purchases of U.S. components, the government officials said.



A MITI official said Japan is prepared to file a complaint with the World Trade Organization (WTO) if Washington takes punitive action on auto trade.

The senior MITI official also denied the U.S. advanced the 301 deadline to the end of April.

"Japan is ready to restart the talks if the U.S. wishes to do likewise," the official said. "But only on condition the talks will be held on the agreed upon rules."

Auto trade is one of the four priority sectors under the framework negotiations for new economic trade and ties between the two nations. The three other areas have been already settled.

#### **NEC Starting Early on U.S. Microchip Plant**

*OW0903085995 Tokyo KYODO in English 0221 GMT 9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—NEC Corp. is considering setting up a semiconductor plant in the United States earlier than previously planned to cope with the yen's surge against the dollar, a company spokesman said Thursday [9 March].

NEC originally planned to establish the plant in 1999 but the project will come earlier because of rising export prices due to the high yen, he said, confirming a report in an economic daily.

The NIHON KEIZAI SHIMBUN reported Thursday that NEC will start building the plant as early as 1996. The NEC spokesman declined a comment about the timing, saying, "The new plant will be set up after carefully watching the market demand for the microchips."

The newspaper said NEC will invest 20 billion to 30 billion yen in the initial year, out of a total of 100 billion yen to be invested in the planned facility at NEC Electronics Inc., its subsidiary in California.

Meanwhile, NEC will start in April building a semiconductor factory in Livingston, Scotland, which will start running in October next year. The plant will have a monthly capacity to produce 20,000 8-inch wafers for semiconductors, the spokesman said.

The British plant will first produce 16-megabit dynamic random access memory (DRAM) microchips and in future will turn out 64-megabit DRAMs in accordance with market developments, he said.

NEC has a global chip production strategy to hedge the risk of possible losses stemming from foreign exchange fluctuations and to boost production in overseas markets.

Shipments of microchips for foreign markets account for roughly 40 percent of the company's total production, he added.

#### **MITI Adding 17 Items to Deregulation List**

*OW0903130095 Tokyo KYODO in English 1213 GMT 9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—The Ministry of International Trade and Industry (MITI) will add 17 items, including the unification of Japan's industrial standards, to its deregulatory list to be included in a five-year government package, MITI chief Ryutaro Hashimoto said Thursday [9 March].

MITI will release an interim deregulatory report on Friday, which will become part of the five-year package set for announcement at the end of March.

Previously, MITI had outlined deregulation on 352 items, but the planned addition will bring the number to 369.

Hashimoto said MITI will take appropriate steps within five years in order to unify all Japan industrial standards, known as JIS, with international standards.

Of about 8,000 JIS standards, 2,000 affect foreign products.

Half of the 2,000 standards are already harmonized with those of the International Electrotechnical Commission (IEC) and the International Standardization Organization (ISO), while the remainder will be handled within the five years, Hashimoto said.

On the controversial Large-Scale Retail Store Law, Hashimoto said no drastic review will be committed in the list.

The list will only call for the law's review on a medium-term basis, Hashimoto said.

The Large-Scale Retail Store Law has come under fire as blocking foreign entry into Japan's retail industry by imposing tough restrictions on opening new large stores.

#### **Transport Ministry Urges Deregulation on 100 Items**

*OW0903130695 Tokyo KYODO in English 1254 GMT 9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—The Transport Ministry on Thursday [9 March] published an interim report calling for deregulation on 100 items relating to the transport business under a five-year program to be announced by the government by March 31.

The report urged, among other things, that inspections of passenger cars registered more than 11 years ago should be required every two years, instead of every year as at present.

In addition, the report said, taxi operating licenses to be issued from fiscal 1995 should cover a number of cities and towns in some urban areas.

At present, licenses are issued according to administrative districts.



### **Dollar Appreciates Against Yen in Tokyo**

*OW0903080095 Tokyo KYODO in English 0745 GMT  
9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—The dollar rose against the yen on short-covering buying Thursday [9 March] afternoon in Tokyo because of the market players' view that the market has gone too far, dealers said.

The dollar was changing hands at 91.76-80 yen at 4 P.M., up from 90.96-99 yen at noon. By 4 P.M., the U.S. currency was trading between 90.60 yen and 91.83 yen. Late Wednesday, it was quoted at 91.55-65 yen in New York.

Because the dollar has already dropped below a targeted line of 90 yen, market players are beginning to think the market has gone too far, said Masahiro Yamaguchi, assistant manager of the international treasury division at Tokai Bank.

Trust banks were seen buying the dollar and other market players placed short-covering buying, he said. But exporters were taking a wait-and-see stance, he said. They seem to be waiting for the dollar to rise above 93 yen before selling it, he said.

Behind the dollar's recovery are a remark by Federal Reserve Chairman Alan Greenspan that he is concerned about the dollar's weakness and a statement by Bundesbank officials that Germany may cut interest rates, dealers said.

Yamaguchi said that for the time being, the dollar is expected to be traded in a range of 90-94 yen. Few market participants will likely sell the dollar at the current level or lower, he said.

If the dollar rises, however, it is likely to come under selling by exporters, he said. If the U.S. currency falls below 90 yen, importers are projected to move to buy it, he added.

When the dollar fell below 91 yen in the morning, the Bank of Japan stepped into the market to support the dollar, dealers said. But they said that they did not see the central bank's intervention in the afternoon.

The dollar was also stable against the German mark. Yamaguchi said that rumors that the Bundesbank has contacted banks to check rates caused market players to place short-covering dollar buying against the mark.

At 4 P.M., the dollar stood at about 1.4020 marks, up from 1.3591-1.3946 marks at noon. Late Wednesday, it was traded at 1.3965-1.3975 marks in New York.

### **Murayama: Rate 'Unpredictable'**

*OW0903024095 Tokyo KYODO in English 0213 GMT  
9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—Prime Minister Tomiichi Murayama said Thursday [9

March] he cannot yet be relaxed about the yen's move on currency markets, although the yen's rise against the U.S. dollar was seen to subside somewhat in New York trading Wednesday.

Development from now on is "still unpredictable" because the yen-dollar rate is largely affected by speculative trading, Murayama told reporters at his official residence and in the Diet building.

"Japan is staying in close touch with other industrialized countries," the prime minister said, adding he believes countries should make efforts of their own to make foreign exchange rates reflect each country's economic fundamentals.

Murayama refrained from commenting on government measures to stabilize the yen, implying he is frustrated because the government has been criticized for lacking leadership.

### **Tokyo To Continue Intervention**

*OW0903130595 Tokyo KYODO in English 1252 GMT  
9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—The government is deeply concerned over the yen's sharp appreciation in recent days as the trend casts uncertainty over Japan's economic outlook, Prime Minister Tomiichi Murayama said late Thursday [9 March].

The yen's strength does not reflect Japan's economic fundamentals and has been brought about by speculative trading, Murayama told a seminar held at a Tokyo hotel by the Japan Association of Corporate Executives.

To stem the yen's rise, the government will continue joint currency-market intervention with the United States and European governments, he added.

### **Hayami Says Trade Surplus Causing Strong Yen**

*OW0903121595 Tokyo KYODO in English 1136 GMT  
9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—Japan should promote deregulation and market-opening to reduce its huge trade surplus as the yen's steep appreciation these days is attributable to the surplus, a business leader said Thursday [9 March].

Japan has maintained a trade surplus of more than 130 billion dollars, and the yen has become stronger than its real power in the belief that the currency is a security when the market mood is uncertain, Masaru Hayami, chairman of the Japan Association of Corporate Executives [Keizai Doyukai], told a seminar at a Tokyo hotel.

Hayami said he did not think the yen's continuing appreciation against the dollar would stop for some time, though he thought economic recovery in Japan is in sight.



**Tokyo, Moscow Cooperating on UNSC Seat***OW0903150395 Tokyo KYODO in English 1450 GMT  
9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—Japan and Russia are working out a document specifying how to cooperate at the United Nations and other international organizations chiefly with the aim of helping Tokyo win a permanent seat on the UN Security Council [UNSC], a senior Foreign Ministry official said Thursday [9 March].

The official, who declined to be identified, made the comment in connection with a proposal for such a paper by Russian Foreign Minister Andrey Kozyrev during his visit to Tokyo earlier this month.

Kozyrev made the proposal during a meeting with Foreign Minister Yohei Kono, saying that it would help realize Tokyo's bid to become a permanent Council member.

**Murayama To Raise Spratlys Issue With Li Peng***OW0903053295 Tokyo SANKEI SHIMBUN in  
Japanese 8 Mar 95 Morning Edition p 1*

[FBIS Translated Text] On 7 March, Prime Minister Tomiichi Murayama made a decision on how to handle his meeting with PRC Premier Li Peng on 11 March, which will be held while he is in Copenhagen, Denmark to attend the UN Social Development Summit.

During his proposed meeting with Li Peng, Murayama will express concern over the objection of the Philippines and other parties to China's construction of facilities on the Mischief Shoal on the disputed Spratly Islands, and ask him to settle the issue in good faith.

It will be the first time for this question to be taken up at a Japan-China summit meeting, and this is extremely unusual. Behind the decision to discuss the issue is the government's belief that China's rearmament and strategy for southern expansion constitute the greatest factor intensifying tension in the Asia and Pacific region, and that Japan needs to deal with this situation seriously.

Regarding the Spratlys issue, at a vice ministerial meeting between Japan and the Philippines held in late February, Japan stated its position that, "China also supported the ASEAN Foreign Ministerial Conference's decision to settle the dispute peacefully. Yet, it has taken unilateral moves. This is regrettable" (according to a top Foreign Ministry official). The Philippines, in turn, asked Japan to persuade China.

Subsequently, Hiroshi Fukuda, deputy vice foreign minister, asked China to "resolve the problem peacefully" at a bilateral vice ministerial meeting held in Beijing on 2 March. In response, China limited itself to asserting that "the new facility is a refuge for fishing boats."

Meanwhile, at the ongoing National People's Congress, Li Peng mentioned on 5 March "safeguarding maritime

interests," indicating an intention to expand naval capability. This reflects the PRC's position on maintaining its interests in the Spratlys.

Therefore, as the host country for this year's Asia-Pacific Economic Cooperation (APEC) forum, Japan decided it has become inevitable to deal with the Spratlys issue in order for the APEC Osaka conference to be successful. Japan plans to tell Li Peng: "China plays an important role in regional peace and stability, and we need your cooperation," in an attempt to express Japan's concern.

However, within the Foreign Ministry, another opinion is: As the meeting with Li Peng will only last for 20 minutes, the prime minister should not bring up the issue directly because: 1) Efforts of the involved party toward peaceful settlement should be respected; and 2) China and the Philippines are scheduled to hold a meeting on this issue shortly.

In addition, Murayama will reiterate to Li Peng that Japan's "one China" policy remains unchanged. He will also ask China to continue to persuade North Korea to cooperate in the process of implementing the U.S.-DPRK agreement regarding North Korea's suspected development of nuclear arms, and in the negotiations relating to the international consortium Korean Peninsula Energy Development Organization (KEDO).

**War Reparation Issue Settled With PRC***OW0903041195 Tokyo KYODO in English 0346 GMT  
9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—Japan resolved the issue of war reparations with China when the two normalized relations in 1972, the top government spokesman said Thursday [9 March].

"We believe the issue of war reparations with China has not existed since the announcement of the Japan-China joint statement in 1972," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

"And this view is clearly shared by the Chinese Government," he added.

Igarashi made the comment in response to Chinese Foreign Minister Qian Qichen's reported remark that China renounced the right to demand state-to-state war reparations for its suffering from Japan's aggression but not individual compensation rights.

**Tokyo, Pyongyang Agree on Working-Level Talks***OW0903042595 Tokyo KYODO in English 0339 GMT  
9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—Officials from Japan and North Korea informally agreed in Singapore in mid-February to continue working-level consultations aimed at resuming normalization talks, sources close to Japan-North Korea relations said Thursday [9 March].



The meeting between a senior official of Japan's Foreign Ministry and an aide to Kim Yong-sun, secretary of the Workers Party of Korea, was the highest level of informal contact, the sources said.

Informal meetings between the two countries have been held in Geneva and Beijing.

Japan and North Korea began talks to normalize diplomatic relations in January 1991. But normalization negotiations broke down at the eighth round of talks in November 1992 when Pyongyang rejected Tokyo's demand for information on a Japanese woman allegedly abducted by North Korean agents.

A self-confessed North Korean terrorist, Kim Hyon-hui, said she was trained by the Japanese woman. Kim was convicted of blowing up a Korean Air jet in 1987.

### **Impact of Deposit Insurance System Debated**

*952A0380A Tokyo KINYU ZAISEI JIJO in Japanese  
23 Jan 95 pp 14-18*

[Article by Tokyo University economics department professor Kazuo Ueda: "Total Deposit Insurance Promotes High-Risk Business Behavior"]

[FBIS Translated Text] The banking industry is unique due to the inherent potential for external diseconomy if the failure of one bank spreads to other banks through a self-fulfilling run on the bank. Financial authorities guarantee at least a portion of bank deposits, even if a bank "fails," to prevent this external diseconomy from forming. Thus, the deposit-guarantee framework forms a safety net.

However, a so-called moral hazard may result when funds on deposit are guaranteed even if a bank fails. This is because banks engage in riskier management strategies than they would if such insurance didn't exist. Consequently, there is a tradeoff between the establishment of a safety net and the prevention of a moral hazard.

In the following article, we will examine ways in which Japan's current banking administration overemphasizes this safety net and means for improving the tradeoff. In our discussion, we will refer to the plan recently announced by financial authorities in response to the essential "failure" of Tokyo Kyowa Credit Corp. and Anzen Credit Cooperative at the end of last year.

### **Bank of Japan's Financing and Patrol-Vessel Method Partly to Blame**

Countries differ widely from one another in terms of the type of safety net used to protect depositors. In the United States, a deposit insurance system has been the core of the safety net since the 1930's. Although a rash of bank failures occurred later, in the 1980's, this did not threaten the stability of the overall financial system. On the other hand, economists and financial analysts have long debated the potential for moral hazards under the deposit insurance system.

In Japan, the Deposit Insurance Corp. has not directly paid for the deposits of a failed bank even once since its establishment in 1971. Lately, banks plagued with deteriorating operations are being bailed out more and more often with financial support from the Deposit Insurance Corp. in the form of loans and grants. However, a variety of rescue measures devised by the Ministry of Finance and Bank of Japan [BOJ] have formed the nucleus of the safety net. On almost every occasion, the ministry and BOJ have resolved the problem by encouraging a merger with a sound bank.

Financing extended by the BOJ has often played an important role in the background. Concerns of a sort of moral hazard stemming from its so-called patrol-vessel method are widespread.

From an international perspective, most countries use a safety net that is closer to Japan's than that favored by the United States. Although most countries have a deposit insurance system, financial authorities rarely dismantle a failed bank and use the system to pay back deposits. In fact, such cases accounted for only about 8 percent of all bank failures in the United States during the 1980's, when a large number of banks went under. Of course, large-lot deposits (in the United States, those worth at least \$100,000) are not covered by insurance in these cases. Although the probability may be low, the fact that deposits have been paid on occasion is an important point.

### **Mechanism That Generates Moral Hazard**

Next, let's compare the possibility of a moral hazard developing under the Japanese-style safety net with that under the U.S. model. To do this, we must first understand the theory behind the mechanism that causes a moral hazard in bank management.

Assuming that the profits of stockholders are represented in the management of a bank, there is always the tendency to prefer high-risk investments on account of limited liability. In other words, even if the bank's investment strategy fails, the stockholders' take will never be less than zero. It follows that when the bank succeeds, the higher the return—that is, the higher the risk—the better.

Depositors, however, will demand a high interest rate from banks that take substantial risks as a risk premium. Consequently, depositors will stave off the tendency of banks to take high risks. Of course, this checking effect will not work unless the bank discloses information on its business activities to depositors.

The deposit insurance systems weakens the depositor-check effect. Deposits are guaranteed, if only partially, as needed, so that the risk premium with respect to banks that take high risks does not increase to the extent that it would if deposits were uninsured.

Thus, a propensity toward high-risk management is created. (Of course, this does not mean that a high-risk management strategy is always bad. Instead, we are



referring to the possibility that banks will be encouraged to take risks that are not in the best interest of the whole society. In the rest of the article, the expression "high-risk management" refers to this latter definition.) This is the moral hazard of deposit insurance. In the end, the deposit insurance system helps to ward off a run on a bank, but causes depositors to be less vigilant of bank management at the same time.

In the United States, financial authorities have implemented a system of variable insurance premiums in an effort to lessen the deposit insurance system's effect of promoting a moral hazard. Under the variable premium system, insurance premiums vary in accordance with the degree of risk in the bank's operations. In addition, U.S. financial authorities have introduced early corrective measures that are designed to minimize the cost of bailing out failed banks. More specifically, they can issue a directive to a financially strapped bank forcing it to dissolve positive net assets on the basis of various financial indicators such as the equity ratio.

How likely is a moral hazard under the Japanese-style safety net? In Japan, only a limited scope of information related to banks' actual business status is disclosed. Consequently, depositors cannot easily monitor banks' business operations to begin with. Therefore, Japanese banks can easily pursue a high-risk management style as long as the system remains unchanged. In other words, there is a bias in favor of the development of a moral hazard.

In the past, financial authorities have deterred this moral hazard by intervening directly and indirectly in bank operations. A variety of regulations and administrative directives has curtailed the high-risk propensity of banks. The series of government intervention measures known as competition-restricting regulations fall under this category. At the same time, the high number of competition-restricting regulations in Japan's banking industry may reduce the incentive of banks to raise operating efficiency, which is a separate moral hazard.

Furthermore, financial authorities have dealt with financially struggling banks by using rent generated through these regulations. A prime example is the tendency of financial authorities to use discretion in more loosely applying branch regulations to a bank in charge of absorbing a troubled bank. The depositors' function of monitoring a bank's management will not work, even if we assume that information disclosure is promoted, due to the assumption that all deposits will be insured through this so-called patrol-vessel method.

The above analysis of the Japanese-style safety net leads us to the following implications. So long as financial authorities promote the easing of competition-restricting regulations under financial liberalization and maintain the framework of fully insuring the deposits of failed banks, the banking system will be inherently biased in favor of high-risk business behavior.

### **Backdrop to Recent Scheme of Rescuing Financial Institutions**

Having laid the theoretical groundwork, let's now review recent trends in the bailout of financial institutions. A striking development is the change seen since 1992 in financial authorities' traditional response to bank failures.

More specifically, financial authorities are tapping the Deposit Insurance Corp. for support in bank bailouts on an increasing basis, either in the form of assistance extended to the troubled bank or to a sound bank in charge of taking over the troubled bank. For example, Iyo Bank received financial support from the Second Association of Regional Banks and low-interest loans from the Deposit Insurance Corp. when it took over the fledgling Toho Sogo Bank in April 1992. Subsequently, the Deposit Insurance Corp.'s financial assistance was used in the dismantling of Toyo Shinkin Bank in 1992 and in the liquidation of Kamaishi Shinkin Bank and Osaka Koyo's merger with Osaka Prefectural Credit Cooperative in 1993.

In the bailout scheme recently devised by financial authorities for the ailing Tokyo Kyowa Credit Corp. and Anzen Credit Cooperative, this method of using funds from the Deposit Insurance Corp. to assist a designated takeover bank was taken a step further. Instead of appointing an existing financial institution to take over the struggling thrifts, financial authorities established a new bank to assume the claims and liabilities of both credit cooperatives. In addition, the BOJ and Deposit Insurance Corp. have invested in and extended grants to the new bank.

The backdrop to these series of developments is obvious. For financial authorities, the rent that ought to be allotted to those banks cooperating in the disposal of a failed bank is declining as financial liberalization progresses. In addition, the average financial strength of banks is falling, in general, as a result of financial liberalization and the bad loan problem. Consequently, financial authorities have been compelled to give outright subsidies to cooperating banks. Furthermore, in the case of Tokyo Kyowa and Anzen Credit, a merger with a healthy bank was not feasible due to the sheer magnitude of their business problems. Thus, an obvious public sector-led rescue was implemented.

### **Japan May Be More Vulnerable to Moral Hazards Than U.S.**

How should we view these changes in the Japanese method of dealing with bank failures and financial authorities' response to the failure of Tokyo Kyowa and Anzen Credit in particular? In terms of the assistance extended to those banks in charge of rescuing struggling financial institutions, there has been a shift away from nontransparent and discriminatory applications of banking administration to the clear-cut supply of financial support. This change is increasing the transparency



of financial administration in Japan. Accordingly, debate over methods of dealing with bank failures is also heating up.

Also, financial authorities are becoming stricter in terms of holding bank managers and stockholders (or investors) accountable for their part in bank failures. For example, directors of failed financial institutions are being forced to step down from their posts. This was the case at the two credit cooperatives that recently went under. (Some argue that the scope of management responsibility should be widened, given that the employees of a Japanese-style company or bank work their way up to managerial positions, or often serve concurrently as managers).

Furthermore, investors in Tokyo Kyowa and Anzen Credit were reportedly held strictly accountable in the recent failures. This is a direct contrast to the treatment of investors in Kamaishi Shinkin Bank.

Nevertheless, a major problem may be inherent in the recent course of Japan's financial administration, according to the general theoretical framework that we developed earlier. That is, the potential for moral hazards may be even greater than in the past.

Competition-restricting regulations established by financial authorities, not market-based rules, have held back the propensity of banks to engage in high-risk behavior in the past. These regulations have been gradually eased since the mid-1970's, causing banks' latent propensity toward high-risk management to surface. Meanwhile, financial authorities have maintained a policy of fully insuring deposits when a bank fails. Obviously, their ability to curtail moral hazards in the banking industry will diminish considerably if this framework remains in place.

As we have stated a number of times already, bank management is vulnerable to a moral hazard even if we assume that managers and stockholders are held fully accountable in bank failures. A moral hazard will also develop on the depositors' side. In fact, Tokyo Kyowa had been paying a much higher rate (3.6 percent) than the market average on one-year, large-lot time deposits.

In this sort of situation, high interest rates are essentially a signal of deteriorating bank operations and, accordingly, deposit withdrawals. In contrast, the 100-percent deposit guarantee system makes it lucrative to deposit funds in unstable banks.

We could go so far as to attribute the real estate speculation that banks financed in the second half of the 1980's to these developments. Financial liberalization encouraged an environment of competing for financial easing and direct financing. Thus, banks engaged in large-scale real estate speculation that went unchecked by depositors through market rules. As it were, the 100-percent deposit insurance system is shouldering the cost of the bank failures generated by this high-risk behavior amidst financial liberalization.

Assuming that financial liberalization has progressed to the same extent in Japan and the United States, we could say that Japan's current method of responding to bank failures is virtually identical to the U.S. method of using a deposit insurance system that has no insurance ceiling, but without sufficient controls on moral hazards. Consequently, Japan could conceivably experience moral hazards with more far-reaching consequences than the problems seen in the U.S. financial system in the 1980's.

In fact, this sort of trend was evident, to a degree, in Japanese bank management in the second half of the 1980's. Of course, financial liberalization in the United States is much further along in many respects. Also, Japanese financial authorities still intervene in a wide spectrum of bank activities, which can be considered as somewhat of a deterrent to high-risk business behavior.

However, Japanese financial authorities generally rely on financial support from the Deposit Insurance Corp. in their response to bank failures. Thus, we can conclude that their ability to intervene in and influence bank operations is waning.

#### **Variable Deposit Insurance Premiums Offer One Choice**

There are two paths that financial authorities can take in an effort to avoid the rash of moral hazards foreseen in the future: they can either reinforce those regulations aimed at preventing high-risk behavior by banks or they can adjust the safety net so that it is not all-encompassing. The worldwide application of capital-adequacy regulations to banks is a move in the former direction.

However, financial authorities clearly cannot return to the former era of intervention, even to a "trifling" extent. The direction of financial liberalization cannot change, in part because of the need to curtail the separate moral hazard of low operating efficiency at Japanese banks. This moral hazard is attributed to the insufficient competition among Japanese banks, in the broad sense, as a result of numerous government regulations.

Let's now reconsider the functioning of the safety net. As we stated earlier, financial authorities currently handle bank failures by providing a virtual 100-percent guarantee of deposits. This encourages depositors to be less vigilant in monitoring the soundness of bank management. Consequently, a factor that keeps banks from engaging in high-risk strategies is lost. In addition, a separate moral hazard is created for the depositors such that depositors simply choose banks that pay high interest rates, regardless of the risk.

Let's suppose that the principle of depositor accountability permeates to some extent, and accordingly, depositors act as a check against bank management. Then, a case where deposits are not fully insured, similar to the situation in the United States, would be desirable.



Whether we create an example where the Deposit Insurance Corp. pays (large-lot deposits are not insured) or the existing method is maintained (all deposits are insured), bank failures could be managed in the form of exempting interest from the insurance coverage.

At the same time, banks must disclose more information on their business activities. If depositors are expected to monitor a bank's management, to whatever extent, it is vital that information related to banks' business operations be disclosed. Also, depositors can first be held accountable for their own actions if this information is available. (However, if a financial institution is paying unusually high interest rates due to reported business difficulties, that in itself should be a prime source of information on the bank's financial condition. Large-lot depositors in particular should be aware of this. In fact, this was the case at Tokyo Kyowa and Anzen Credit. Consequently, some economists are critical of financial authorities' decision to fully insure deposits in the bailout of these two credit cooperatives.)

However, requiring banks to disclose more information would likely increase the need for authorities to audit banks. A large number of small financial institutions are still under the jurisdiction of municipal bodies that lack sufficient resources to conduct such examinations. This is a major problem that came to light in the recent bailout of the two credit cooperatives.

A system of variable deposit insurance premiums, like the one that exists in the United States, is another option. The system's effect of warding off moral hazards is widely recognized from a theoretical standpoint. Some economists argue that insurance premiums that increase in accordance with risk undermine a bank's operations. This argument could be answered, however, by lowering the current insurance rate that applies to low-risk management. In addition, financial authorities ought to consider introducing early corrective measures, similar to those in place in the United States, in an effort to reduce the public funding burden.

So, what is our conclusion? On the one hand, banks will pursue operating efficiency as financial liberalization progresses. On the other hand, the stability of the financial system is backed by a 100-percent deposit guarantee under the financial authorities' existing method of responding to bank failures. Moral hazards cannot be prevented under this framework. The managers, stockholders, and, to some extent, the depositors of a bank that fails should be held accountable for their part.

Financial liberalization in Japan, which is second only to the United States in terms of economic scale, will likely be compelled to run its course. There will always be a need for regulations in the financial sector, even as liberalization progresses. However, a financial system that is largely liberalized will not function efficiently unless market participants are held responsible for their own actions, or the course of banking administration shifts in the direction of fostering that responsibility.

#### **Government Considers New Supplemental Budget** *OW0903124795 Tokyo KYODO in English 1229 GMT* 9 Mar 95

[FBIS Transcribed Text] Tokyo, March 9 KYODO—The government and the ruling coalition parties are considering compiling a supplementary budget for fiscal 1995 by early May to include emergency measures against the yen's sharp rise against the dollar, government officials said Thursday [9 March].

The government plans to submit to the Diet an extra budget bill, initially intended to finance the reconstruction of areas hit by the powerful Jan. 17 earthquake, as early as the week beginning May 8, after adding expenses for measures to prop up the economy against the yen's sharp rise, the officials said.

Attempting to win approval of the extra budget within the current Diet session by mid-June, the government will aim to minimize the effects on the national economy of the yen's appreciation, they said.

Earlier in the day, Prime Minister Tomiichi Murayama indicated his intention to compile the supplementary budget for the next fiscal year starting April 1, immediately after the approval of the initial budget for the year, as part of efforts to cope with the yen's rapid advance.

Murayama said at a House of Councillors Budget Committee session, "It is necessary to compile an extra budget without delay, giving consideration to developments in Japan's economy."

The government will explain Japan's efforts to expand domestic demand by expediting the extra budget compilation at such opportunities as a meeting of financial officials from the Group of Seven (G-7) economic powers slated for late April, the officials said.

The government had planned to compile the extra fiscal 1995 budget as a second step in helping reconstruct quake-hit areas of western Japan, following the second fiscal 1994 supplementary budget which earmarks about 1 trillion yen for reconstruction-related measures.

With the yen's recently surge against the dollar, however, concerns are mounting that the moderate economic recovery might be dampened, therefore the government intends to include additional expenses for measures to support smaller businesses and promote private corporate investment, the officials said.

Out of an estimated 2 to 3 trillion yen in reconstruction-related projects in the future, the government is considering including some 1 trillion yen in the extra budget and the remaining amount in another extra fiscal 1995 budget to be compiled this autumn, they said.

#### **To Cope With Yen Rise**

*OW0903043295 Tokyo KYODO in English 0419 GMT*  
9 Mar 95

[FBIS Transcribed Text] Tokyo, March 9 KYODO—Prime Minister Tomiichi Murayama said Thursday the



government intends to compile a supplementary budget immediately after approval of the initial budget for fiscal 1995 as part of efforts to cope with the yen's renewed rise against the dollar.

Murayama said at a House of Councillors Budget Committee session, "it is necessary to compile an extra budget without delay, giving consideration to developments in Japan's economy."

The government has planned to compile the supplementary budget for the next fiscal year starting April 1 to finance reconstruction of areas devastated by the Jan. 17 great Hanshin earthquake.

With the yen sharply surging against the dollar over the past few days, the government is reportedly considering including additional expenses in the extra budget for measures against the yen's gain to prop up the economy financially.

Meanwhile, Finance Minister Masayoshi Takemura said Japan is taking actions in cooperation with other nations to arrest the yen's further advance in the currency markets.

Takemura said at the upper house committee, "we have to make every effort by seeking every possible means."

#### **Kubo Calls for May Meeting To Form New Party**

*OW0903092195 Tokyo KYODO in English 0852 GMT 9 Mar 95*

[FBIS Transcribed Text] Tokyo, March 9 KYODO—Prime Minister Tomiichi Murayama's Social Democratic Party (SDP) should hold a special party meeting around May to recreate itself as a new "democratic" political force, a top party official suggested Thursday [9 March].

SDP Secretary General Wataru Kubo dropped the hint at a press conference after the party's policy-steering committee formally endorsed earlier in the day a 1995 manifesto that calls for disbanding the party and transforming itself into a new party with a better chance of surviving coming elections.

"It must be considered as early as possible whether a meeting should be called between nationwide local elections (in April) and the House of Councillors elections (in July)," Kubo said.

"It's not appropriate to leave the draft document over a long period of time," he said.

Kubo said the manifesto should be treated as a political platform that under party rules is required to be approved by at least two-thirds of SDP members attending a party meeting.

Kubo said he gives priority to "fairness" sought under the 1995 manifesto and underlined the need for the SDP to play the biggest role among possible parties to join the new party in attaining fairness and promoting democracy.

#### **\* Editorial on Need for Political Discipline**

*952B0122A Tokyo ASAHI SHIMBUN in Japanese 16 Feb 95 p 5*

[Unattributed editorial: "Politics, Renew Your Strength of Character!"]

[FBIS Translated Text] Prime Minister Tomiichi Murayama is probably thinking: "It is distressing that of all the times to serve as prime minister it happens to be this kind of time." Approximately one month after the Great Kobe-Osaka Earthquake disaster he is exposed to harsh criticism that "the response was too slow," and even talk of his early resignation is beginning to be whispered in some political circles.

What hastened the theory of the prime minister "being down for the count" were rivalry within the governing parties in connection with reorganization and integration of special corporations, and an outcome which bore little fruit.

One probably cannot expect such things as the strength to pin down the powerful bureaucratic system from a coalition government that was hastily constructed in the first place. But at least the Murayama government promised to apply itself to administrative reform with that kind of backbone, and the prime minister was stressing "indomitable resolve."

That broke down because of the problem of abolition and integration of government-related financial institutions, which became a focal point. The following kind of diagram gradually emerges as background.

In the Liberal Democratic Party [LDP] there are many influential persons who seek to secure political power by protecting the interests of bureaucrats. This time, such persons as former prime minister Noboru Takeshita and International Trade and Industry Minister Ryutaro Hashimoto in particular became a powerful support group for the Ministry of Finance.

There could be seen in such persons who opposed this as Policy Affairs Research Council Chairman Koichi Kato and Secretary General Yoshiro Mori the idea of seizing leadership by breaking down not only the wall of the Ministry of Finance, but the "Takeshita myth," which is still deeply rooted in political circles.

At that time the two were beginning to show a posture of cooperating with a second campaign for party president by Yohei Kono, deputy prime minister and foreign minister. In that sense, the issue this time was the first act of a power struggle with the autumn selection of party president and "the situation after Murayama" in mind, but Kono, who was unable to settle things within the party, also got nothing from it.

Up till now, the New Party Sakigake [Harbinger] discharged the role of pushing administrative reform, and did so to the extent that it invited from the LDP the adverse reaction of "don't pretend you are great." But in



the end, Finance Minister Masayoshi Takemura was in an awkward position between his roles of "leader of Sakigake" and "minister of finance," and ultimately he ended up giving priority to the standpoint of minister of finance.

Moreover, if we juxtapose this with the political struggle within the LDP, it takes the form of having fallen into step with the "Takeshita faction." The theory of a Takemura government "after Murayama" also exists in one segment, and invites various speculation.

The situation in his own party also had a hand behind Prime Minister Murayama being unable to project a sense of his being in command.

The movement of Sadao Yamahana and his group to leave the party was frozen by the earthquake disaster, but this crack ended up excessively weakening the ground beneath this weak prime minister. The faction that supports the prime minister also fails to present the condition of a political group, so other parties literally end up taking advantage of the prime minister's weak position. Therefore, it is difficult to expect his word to be law, and that, in turn, is spreading speculation on "the situation after Murayama."

Since the start of the Murayama government the three parties have in their own way made mutual concessions, thinking not to destroy the government, so there was a sense of tension in the management of the government. The fact that the extraordinary session of the Diet last autumn passed many important bills, whatever the quality of their content, is probably a manifestation of that. In contrast to that, one also gets the feeling that, seven and a half months after the government began, willfulness has gradually appeared in each party and faction.

Measures for dealing with the earthquake disaster are no ordinary task. But at the same time, the government should grapple head-on with the proper politics which the times demand, such as accurately distinguishing the various tasks of administrative reform, including such things as the problems related to government-related financial institutions, which have become a prolonged battle.

On the other hand, it is the role of opposition parties to show drive toward recapturing the government and give a sense of tension to politics precisely at a time like this. But in the interpellation in the Diet day after day one can see neither the kind of arguments that place the government in a dilemma nor the kind that impress the people of the nation.

Furthermore, it became clear that the family firm of Diet member Toshio Yamaguchi, who at the time was on close terms with the board chairman, was receiving huge loans from a credit union which is under suspicion of disorganized accounting, and it developed into him resigning from the post of deputy secretary general of the

New Frontier Party. The names of other New Frontier Party executives have also been talked about, and it is weakening the party's spirit. It is hopeless.

It is time for politics to renew its strength of character.

#### \* Rengo's Uncertain Political Stance Reported

952B0085A Tokyo SEIKAI ORAI in Japanese Jan 95  
pp 16-19

[Article by Hiroshi Kumada, political journalist: "Report on Political Circles: Bipolar System or Tripolar System?—Internal Situation of 'Rengo,' Which is Shaking in Midst of Realignment of Political Landscape"]

[FBIS Translated Text] Right now "Rengo" is shaking greatly. In the midst of the maelstrom of realignment of the political landscape, will it be a system of two large parties or a system of many parties; it is on the brink of the crisis of an internal split into a faction which supports the governing parties and a faction which supports the opposition parties. Well, as to the path which "Rengo" will choose—.

#### Rengo is Not a Monolith Regarding Realignment of the Political Landscape

There is no doubt that an organization of 8 million becomes a tremendous pressure group if it unites and acts. Rengo (National Confederation of Trade Unions) is one such organization. If "Nokyo" [Federation of Agricultural Cooperative Associations] represents farmers, "Rengo" is the largest organization which represents consumers and workers. Without even looking at the fact that Soka Gakkai, which nominally consists of 8.03 million households, has supported Komeito for 30 years, the "8 million Rengo" will also greatly influence the political situation if it unites.

It is no exaggeration to say that at a time when the phenomenon of a change to increased fluidity of politics continues, Rengo's attitude will determine the course of full-fledged realignment of the political landscape. That is clear if one looks at the fact that governing and opposition parties are doing their utmost to strengthen ties with Rengo.

Because of formation of the New Frontier Party by the former coalition-governing-party group, the political situation has accelerated its movement toward realignment of the political landscape. Like it or not, it means that Rengo is located at the focal point of the political situation.

But Rengo's response to realignment of the political landscape is not monolithic. Individual industrial unions which are Rengo's constituent organizations are not in step, so they cannot unite and marshal the "strength" to lead the political situation. The chief cause of this lies in the problem that, in terms of its constituent organizations, Rengo is a collection of many households: the labor unions of the former Sohyo [General Council of



Trade Unions of Japan], which support the Social Democratic Party of Japan [SDPJ], and the Yuaikai (former Japanese Confederation of Labor), which supports the Japan Democratic Socialist Party [DSP]. In addition, one can say that there are the fact that it is impossible to follow the bewilderingly changing alignment of political parties, and the fact that differences of doctrine and policy are not clearly visible.

And yet, not settling Rengo's immediate political response will needlessly invite a split within the organization.

Furthermore, in the spring of 1993 Rengo set forth the political line of "aiming at a system of two large political parties by marshaling a political force which will assume the responsibility of government in place of the Liberal Democratic Party [LDP]," but it has been forced to reexamine its former political line because of the subsequent collapse of the LDP government and birth of the Hosokawa and Hata coalition governments, and especially because of the inauguration of the LDP-SDPJ-Sakigake tripartite Murayama coalition government.

What it set forth thereupon, in the form of supplementing its political line up till then, was the view regarding an immediate political response which was agreed upon at the 17 November meeting of its Central Executive Committee.

In this supplementary political line, Rengo holds that it "will also show sympathy toward the marshaling of a new force in addition to two large forces." This is Rengo's view, at this point in time, of realignment of the political landscape.

One can say that this way of expressing it is a last-resort measure which somehow settled the lack of unity within Rengo. However, it smacks of "someone who is trying to please everyone," so it is difficult to know in which direction it is actually looking because it is indicating that Rengo is sympathetic to each one of three alternatives: the Murayama coalition government, which is the governing parties, the New Frontier Party, which marshaled the opposition parties except for the Japan Communist Party, and the "new democratic/liberal party" at which General Secretary Wataru Kubo and former Chairman Sadao Yamahana of the moderate and rightwing factions of the SDPJ aim in their building of "a third pole."

According to the draft at a meeting of the executive which was held on 15 November, 2 days before the meeting of the Central Executive Committee which approved the supplementary political line, it was "Will aim at marshaling of a third-pole political force which is equidistant from the two major forces of the governing and opposition parties." Two days later, the phrase "equidistant from the two major forces" had disappeared, and the expression "third-pole force" was also not spelled out clearly because an objection emerged in

the Political Committee, which discussed the political line in regard to the draft. A committee member from a labor union which supports the DSP voiced opposition, saying: "I am not satisfied by making the third pole also equidistant from the New Frontier Party in spite of having operated up till now on a policy of supporting what is non-LDP." It means that from the standpoint of supporting the DSP, it is troublesome for the New Frontier Party, in which the DSP participates, to be made "equidistant" from other forces.

On the other hand, some of the labor unions which support the SDPJ voiced such objections as: "Content of a kind which supports the New Democratic Alliance will lead to a breakup of the SDPJ" because according to the draft, it could be taken as Rengo supporting only the New Democratic Alliance (chairman: Sadao Yamahana) of the SDPJ.

Therefore, in the end, they had to settle down to a content which could obtain wide approval.

#### **Ashida Negative Toward Marshaling of "SDPJ-DSP Liberal Elements"**

Within Rengo, political speech and behavior of the executives of prominent industrial unions have come to the fore after the resignation of the former chairman, Akira Yamagishi, who had consciously gone deeply into politics, earnestly wishing for "marshaling of SDPJ-DSP liberal elements." One may be able to say that the fact that Chairman Jinnosuke Ashida (chairman of Zensendomei, the Japanese Federation of Textile, Garment, Chemical, Mercantile, and Allied Industry Workers, Unions), who succeeded Yamagishi, is making clear a posture of avoiding an overemphasis on politics on Rengo's part and leaving political response to the judgement of each industrial union, is allowing the lack of agreement among industrial unions to surface.

Partly because of a perception that "realignment of the political landscape is in a transitional period," Chairman Ashida thinks that "labor unions should not meddle too much in politics." Because former chairman Yamagishi leaned too much toward politics, Chairman Ashida probably also reflects on that, but Chairman Ashida, who is thoroughly imbued with Zensendomei, a private sector labor union, believes that economic struggle is central, and to begin with, his career is different from that of Yamagishi, who came from a government labor union and could not help but be related to politics.

Moreover, Chairman Ashida, who is an advocate of two major political parties, states flatly: "Far from being a tripolar system, the realignment of the political landscape for which I hope is a bipolar system in which a party which represents workers is in one pole." In this point, also, his opinion differs from that of Yamagishi, who was a proponent of the tripolar argument.

Shortly after assuming office, Chairman Ashida also stated in regard to marshaling of SDPJ-SDP liberal



elements, that: "it will not help even if one wastes a lot of effort," and this was greatly criticized by Rengo, whose organization had split because the SDPJ and SDP, which were the parties it had supported, had split into governing and opposition parties, as "something which a chairman must not say."

Later Chairman Ashida explained that: "The SDPJ and SDP have just split into governing and opposition parties, so it is not a time for Rengo to go leaping about indiscreetly. I said it in the sense that we should make complete inspection of the relationship between political parties and unions up to now," but it is clear that his position is support of the New Frontier Party. It is judged that Chairman Ashida, himself, hopes that the SDPJ's New Democratic Alliance will leave the party and join with the New Frontier Party in order to realize a bipolar system.

The person in Rengo who, along with Chairman Ashida, advocates a system of two major political parties is Vice Chairman Teruhito Tokumoto (chairman of the Confederation of Japan Automobile Workers' Unions). Tokumoto has the basic idea that under a system of single-seat election districts things will one day be narrowed down to two major political parties.

Tokumoto's position supports the DSP in the same way as Chairman Ashida, but from the beginning he has not been a stickler for a "non-LDP" framework; one can see a posture of wanting to deal with the combining of political parties in a flexible manner based on policy. He is also groping for a link with part of the LDP by such things as making an appearance at meetings of the "Group Shinseiki [New Century Group]," a policy organization of LDP Policy Affairs Research Council Chairman Koichi Kato's group.

In contrast to this, the proponents of the tripolar argument in the Rengo executive are Acting Chairman Morishige Goto (chairman of the Autonomous Body Committee) and Secretary General Etsuya Washio. Goto in particular has the status of representative: his position is to carry on Yamagishi's policy line that: "A tripolar structure of LDP-type conservatism, non-LDP-type conservatism and liberal elements is most suitable to Japan's political situation."

However, Goto and Washio's ideas have different intensities even in aiming at the same tripolar system. In contrast to the fact that Goto makes supporting the Murayama government as much as possible his basic posture from the standpoint of supporting Prime Minister Murayama, who came from Jichiro, the All Japan Prefectural and Municipal Workers' Union, Washio thinks that they should soon create an environment in which the New Democratic Alliance of the SDPJ will split the party and bear one pole of the three poles.

Goto stresses that: "It is necessary that the SDPJ make concrete preparations for marshaling of democratic and

liberal forces at the same time that it decides important problems in the government."

This means that so long as the Murayama coalition government is a government whose prime minister is chairman of the SDPJ, it is important to pursue on the policy side a nature which is worthy of the SDPJ, and that that is the greatest precondition for support of that government. However, if it cannot pursue a nature which is worthy of the SDPJ, it should strive to marshal a third force which will oppose the New Frontier Party.

Goto states that in marshaling a third political force, the SDPJ should be the core to the last degree. Goto, who is chairman of Jichiro, the most powerful union which supports the SDPJ, wants to avoid by all means the situation of the SDPJ breaking up. Breakup of the SDPJ would mean reducing Jichiro's political influence.

Goto's treatment of this point is clearly different from that of Secretary General Washio, who is also a proponent of a tripolar system. In contrast to the fact that Washio, who retired from the chairmanship of Tekkoren [Japanese Federation of Iron and Steel Workers' Unions] and is working full time as secretary general of Rengo, can make such bold statements as calling upon the New Democratic Alliance to leave the SDPJ. Goto, who has the Jichiro organization behind him, has circumstances which require him to give serious consideration to the organization.

The basic idea of Jichiro's treatment of the SDPJ in regard to realignment of the political landscape is that: with support of the Murayama government as the premise, 1) it supports the course, which General Secretary Kubo is proposing, of aiming at "formation of a new democratic-liberal party of 100 members with the SDPJ as the core;" 2) however, the New Democratic Alliance should not have rivalry on the faction level or rush to have some leave the party.

It means that although it is sympathetic to formation of a new party with the SDPJ as the core, Jichiro wants the entire SDPJ to enter the new party if possible and will not be able to support it unless at least 80 percent of the Diet members move to the new party.

That is, in order to support one of the three poles you must marshal strength of three digits, in other words, a scale of 100 members.

Concerning the timing of formation of a new party, Goto holds that: "in the sense of fighting (an election), it is desirable to build something new by the unified local elections in the spring of 1995." Jichiro has about 580 local legislators nationwide. The moves by the central SDPJ to form a new party are shaking up Jichiro-related local legislators. Jichiro is saying that it will be very difficult for them to fight an election unless it has the central SDPJ clear things up by the time of the unified local elections in the spring of 1995.



The ones among Rengo's industrial unions which agree with Goto's, that is, Jichiro's ideas on realignment of the political landscape are Shitetsusoren [General Federation of Private Railway and Bus Workers' Unions of Japan] and Nikkyoso [Japan Teachers' Union]. Along with Jichiro, they belonged to the left wing of the former Sohyo [General Council of Trade Unions of Japan], and they have supported the moderate and leftwing faction Diet members of the SDPJ who support the Murayama government.

#### **"Seven Industrial Unions" Which Support the Kubo-Yamahana Group**

In contrast to this, the ones that are supporting the SDPJ's moderate and right wing factions of General Secretary Kubo and Chairman Yamahana are the so-called "seven industrial unions," Zentei [Japan Postal Workers' Union], Johororen (Zendentsu) [Federation of Telecommunication, Electronic Information & Allied Workers' Unions], Denkirengo [All Japan Confederation of Electric Machine Workers' Unions], Jidoshasoren [Confederation of Japan Automobile Workers' Unions], Zensendomei [Japanese Federation of Textile, Garment, Chemical, Mercantile and Allied Industry Workers' Unions], Denryokusoren [Confederation of Electric Power-related Industry Workers' Unions of Japan] and Tekkororen [Japanese Federation of Iron and Steel Workers' Unions]. This group is pressing for early rousing to action while showing off "financial assistance cards" to the New Democratic Alliance which is groping toward leaving the SDPJ.

Though the "seven industrial unions" are divided on supporting the SDPJ and the DSP, they are positive toward realignment of the political landscape; at the same time, based on a perception that breakup of the SDPJ cannot be avoided, they have a strong view that the SDPJ should discard its left wing and form a new party.

Chairman Ito of Zentei, the spokesperson for the "seven industrial unions," is working on having, to begin with, even 20, one-half of the 41 SDPJ Diet members whose names are listed in the New Democratic Alliance, begin action by leaving the SDPJ. When New Democratic Alliance Chairman Yamahana requested financial assistance, the "seven industrial unions" side refused, but the reason was that they could not assist the New Democratic Alliance because it took no visible action.

The New Democratic Alliance established an office on 15 November in a building at a first-class location in Nagatacho near the Diet. It is unusual for factions of the SDPJ to maintain offices. The cost of opening the office is said to be provided by Chairman Yamahana, and one can probably view this, too, as a signal to the "seven industrial unions" of a strong resolve that has the determination to split the party.

When we begin to look at it this way, it can be seen that opinion within Rengo concerning realignment of the

political landscape is divided on the question of a system of two large parties or a tripolar system, and furthermore, that among advocates of a tripolar system a difference can be seen in the "distance" regarding the Murayama government. It can be said that the supplementary political course which Rengo set forth discovered a point of contact for the differences of opinion among unions of different industries in that it accepts a tripolar system transitionally, while aiming at a system of two major political parties in the future.

The problem is how to depict the tripolar system. Therefore, what becomes the focal point is, as might be expected, the attitude of the SDPJ. The SDPJ as a whole has already affirmed that it "Aims at marshaling of SDPJ-DSP liberal elements." The party's left wing, the core of the Murayama government, is negative toward marshaling a new force, but the attention of those in politics has converged on General Secretary Kubo, who is about to wager his survival as a politician on the marshaling of a third force, and on Chairman Yamahana of the New Democratic Alliance, who, responding to Kubo's intention, is trying to bring about action.

The rivalry within the SDPJ between the moderate and leftwing group, which supports Prime Minister Murayama, and the moderate and rightwing group, which supports General Secretary Kubo, goes on deepening. This rivalry has begun to develop to the point where discord over appointments of cabinet ministers in the Murayama cabinet or of party officers is sublimated even to an emotional "grudge" and becomes a dilemma.

General Secretary Kubo plans to hold an extraordinary party convention in January 1995 before the opening of the regular Diet session, to dissolve the party, and moreover, to aim at forming a new party. In the event that this is not the consensus of the entire party, the New Democratic Alliance will probably split the party and embark on forming a new party. Rengo, too, will have to be alert in the days ahead.

#### **Spring Wage Talks Reach 'Mid-Life Crisis'**

*OW0803063795 Tokyo KYODO in English 0200 GMT  
8 Mar 95*

[FBIS Transcribed Text] Tokyo, March 8 KYODO—Japan's nationwide "Shunto" wage talks between labor and management turn 40 this spring with many on both sides saying the annual ritual is in the throes of a mid-life crisis.

The "Spring Labor Offensive," long a hallmark of lock-step solidarity with a formalized order for each industry and established leaders setting the pace for the rest, is splintering as workers fret about their jobs due to the long recession and industries lose their homogeneity.

"Shunto is a framework to create a wage market through consultation," says Kimindo Kusaka, a think tank director and author of a book on the destruction of the



Japanese personnel system. "The age is coming of individuals and companies contracting on their own responsibility."

Factors cited by people on both sides are the high yen, which is driving Japan's manufacturers to move production offshore, diverging profitability within corporate sectors, reviews of the traditional employment system and even the January earthquake in the Kobe region.

As long as Japan's economy was on an unbroken ascent, everyone could get a piece of the pie with irresponsible management and run-of-the-mill work.

But companies and industries are growing apart, analysts note, and with the unrelenting rise of the yen, Japan's wage level has become "the highest in the world," says Takeshi Nagano, president of the Japan Federation of Employers Associations (Nikkeiren).

Nippon Telegraph and Telephone Corp. (NTT) and the Japan Telecommunications Workers Union struck the first agreement of the campaign last Friday, settling for a 2.80 percent pay hike, an average 9,300 yen a month and the smallest since NTT was privatized in 1985.

The NTT union abandoned for the first time its strike threats in favor of cooperation in relief and reconstruction efforts for Kobe and other areas of western Japan devastated by the Jan. 17 earthquake.

The soft bargaining by NTT workers will likely dampen enthusiasm at other unions, including those of railway and electric power companies, labor leaders said, but the response is no longer monolithic.

In the auto industry, workers are trying to hold the line against the odds, with a demand for an average monthly wage hike of 12,000 yen. That includes both workers at Toyota Motor Corp., which forecasts a profit of 250 billion yen and Nissan Motor Co., which expects a 60 billion yen loss.

In fact, in percentage terms, the Toyota workers' request, at a record low 3.90 percent, is actually less than the 4.01 percent raise the Nissan workers are seeking.

Nissan officials said this week they hope to cut their workforce by as much as 7,000 from the current 49,000 over three years as they seek 360 billion yen in savings. The ASAHI SHIMBUN reported that the automaker has proposed halving its fixed seniority-based raises and replacing them with performance-based pay.

A Toyota union leader acknowledged that in the current sluggish recovery, leading companies cannot pull the laggards in their wake on the wage front.

"Even if you call this a recovery, you can't say it's full-fledged," he said.

Etsuya Washio, general secretary of Rengo, the 8 million-strong Japanese Trade Union Confederation, goes

so far as to declare it an "illusion" that companies industrywide could "line up at a high level" of pay increases.

Cracks are appearing in the steel industry, another traditional pacesetter in the wage negotiations, indicating the complicated situation on both sides of the talks.

Union executives from the top five steelmakers huddled nervously in a Kobe hotel Nov. 30, concerned about solidarity in their upcoming demands, officials say.

Workers at Nippon Steel Corp., Kawasaki Steel Corp., Sumitomo Metal Industries Ltd. and Kobe Steel Corp. were pushing for a solid front in calling for a base pay raise beyond fixed seniority increases, they say.

But workers of NKK Corp. fretted they might not be able to go along because NKK forecasts a 500 million yen pretax loss for the year ending this month.

The NKK workers managed in the end to call privately for a base pay hike, thus preserving the 40-year unbroken unity among the five unions, the officials say, but then came the Jan. 17 quake.

Despite having issued their pay hike call, the Kobe steel workers suddenly found themselves unable to keep in step with the others as their company was hit with quake damage of 74 billion yen.

Steel management, too, finds its diverging conditions hurting its ability to maintain a united front, despite the insistence by Hiroshi Saito, vice chairman of the Japan Iron and Steel Federation, that "the unity of the five companies has not been disturbed."

Says NKK President Shunkichi Miyoshi, "the traditional lockstep is meaningless."

Takeo Naruse, a Nikkeiren managing director, sees a certain coziness that has developed on both sides in the long-established Shunto system. "The greatest hidden merit of the lockstep Shunto is that with both labor and management going along with everyone else, their own responsibility remains noncommittal."

In personnel policy, too, the old system is crumbling as seniority-based compensation gives to merit pay, which widens disparities among employees and further weakens efforts at a unified labor position.

Among the recent changes, Retailers Daiei Inc. and Tobu Department Store Co. have extended merit pay beyond managers to their entire workforces, while Sony Corp. now bases half the salary of a 40-year-old employee on a judgment of ability.

## North Korea

### Russian Leaders on Supply of Nuclear Reactors

SK0903052495 Pyongyang KCNA in English 0507  
GMT 9 Mar 95

["Russia Thinks Its LWRs Should Be Delivered to DPRK, Russian FM"—KCNA headline]



[FBIS Transcribed Text] Pyongyang, march 9 (KCNA)—Russian Foreign Minister Andrey Kozyrev told a press conference in Tokyo on March 4 that Russia thinks that it should deliver its light water reactors [LWRs] to the Democratic People's Republic of Korea within the framework of the international project for a solution to the problem of its nuclear programme, according to an ITAR-TASS report.

Kozyrev called attention to the fact that Russia had advanced the idea of providing LWRs which are hardly capable of producing weapon-grade plutonium to the Democratic People's Republic of Korea.

"It would be strange, if Russia did not take an active part in carrying this idea into practice," he said.

He hinted that, if Russia were not chosen as a supplier of the reactor technology and facilities to the DPRK, it would not join the Korean Energy Development Organisation (KEDO).

"We have some interests. We see our proposal on the provision of Russian-made nuclear reactors to the DPRK from a long-term point of view," Kozyrev said.

Earlier, on March 3, the Russian foreign minister at talks with the Japanese counterpart Kono reiterated Russia's position that the provision of Russian-made LWRs to the DPRK is most reasonable because Pyongyang already has technological knowledge about Russian facilities and models.

Meanwhile, Aleksandr Panov, vice-minister of foreign affairs of Russia, in an interview with ITAR-TASS on February 28 referred to the question of providing the Democratic People's Republic of Korea with LWRs, saying "It is natural that Moscow is interested in letting Russian industry make a contract in this regard".

On the same day Georgiy Kaulov, chief of the information department of the Russian Ministry of Atomic Energy, told ITAR-TASS that the Russian nuclear reactors are superior in the world in their characteristics and durability and most cheap, adding that this is an attraction for the potential customers of Russian-made facilities of nuclear power plants.

#### **PRC Daily on DPRK Refusal of ROK Reactors**

*SK0903050795 Pyongyang KCNA in English 0439  
GMT 9 Mar 95*

["U.S. Must Take Step for Improved DPRK-U.S. Relations"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—The Chinese JIEFANG RIBAO March 2 in an article on the provision of light water reactors [LWRs] to the Democratic People's Republic of Korea said the U.S. must take a step for the improvement of DPRK-U.S. relations.

The paper said "the dominant views are that the South Korean model is not safe yet."

The point of the U.S.-DPRK disputes is that the insistence of the United States and South Korea on the provision of the South Korean model to the DPRK is designed to let South Korea have an influence on the DPRK and to place the future nuclear development of the DPRK under the control of South Korea in case South Korea gains the initiative in installing the LWRs, the paper said.

That is why the DPRK decidedly dismissed the insistence of the United States and South Korea, it said.

Noting that there are different ways of getting over the difficulties at the present juncture, the paper said that it will apparently be an affirmative stance for the United States to respond to the proposal of the DPRK and invest dls [dollars] 500 million to 1,000 million in the readjustment of the nuclear-powered electric networks of the DPRK and so on.

The paper said the United States should consider the DPRK's possible refusal to accept the South Korean model.

It said: "Such being the situation, Germany, Russia and other countries hate losing the candidacy for the delivery of LWRs. If it causes South Korea not to make an outlay, the United States, under the obligation to raise funds, will be left with no other choice but to find another access to funds".

Recalling the fact that the U.S. media and the Congress have long spread many rumors harmful to the DPRK-U.S. framework agreement, the paper said it is up to the United States to raise funds, and what model of LWRs should be provided needs to be approved by the DPRK in all cases.

#### **ROK Denounced for Apr Military Exercise Plans**

*SK0903045295 Pyongyang KCNA in English 0434  
GMT 9 Mar 95*

["S. Korean Warmaniacs Well Advised To Stop Acting Rashly"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—The South Korean puppet Ministry of National Defence announced Tuesday its plan to stage large-scale combined exercises of three services from April 3 to 8, according to a radio report from Seoul.

The projected manoeuvres are a criminal act that can never be condoned in view of the trend of the times toward peace and security on the Korean peninsula and the desire of the fellow countrymen for national reconciliation and unity between the North and the South and the peaceful reunification of the country.

The gravity of the projected manoeuvres finds expression in that they may lay an ever greater stumbling-block



of irrevocable consequence in the way of the implementation of the DPRK-U.S. framework agreement.

The implementation of the agreed framework is incompatible with the manoeuvres.

The Kim Yong-sam group has so far hated the agreed framework between the DPRK and the U.S. and obstructed its implementation overtly or covertly. However, it has made a big mistake. No force on earth can work on us.

We have the might of rock-firm singlehearted unity and unrivalled Revolutionary Armed Forces.

If the Kim Yong-sam group continues to resort to provocative belligerent moves, ignoring our repeated warnings, it will face destruction.

### **Grand National Reunification Festival 'Realistic'**

*SK0903102995 Pyongyang KCNA in English 1012  
GMT 9 Mar 95*

["Fair Proposal Conforming to Nation's Desire for Reunification"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—NODONG SINMUN today says the proposal of the joint meeting of political parties and organisations of the Democratic People's Republic of Korea for jointly and grandly celebrating the 50th anniversary of the liberation of the country, holding a grand national conference and discussing and confirming the way of reunification common to the nation is a very realistic and fair proposal which fully conforms to the aspiration and desire of the entire fellow countrymen for national reconciliation, unity and reunification.

The new proposal put forward by the DPRK is aimed at firmly uniting the entire fellow countrymen as one under the banner of the ten-point programme of the great unity of the whole nation to frustrate the challenges and obstructions of the splittist forces and throw open the door of the reunification in the 90s, the author of the article notes, and goes on:

If the entire fellow countrymen place the common demand and interest of the nation before anything else and promote concord and unity with each other, irrespective of the differences in idea and system, it is exactly national reunification which we want. The key to national reunification is to achieve the genuine concord and unity of the whole nation.

The grand national reunification festival which people in the North, the South and overseas will jointly hold on August 15 this year, the 50th anniversary of the liberation of the country, is a place of such nationwide dialogue of reunification.

The consultative meeting of representatives of political parties and organisations of the DPRK held on March 7 formed the North side preparatory committee for a

grand national reunification festival celebrating the 50th anniversary of the liberation of the country and decided to do the work to form an organisation for promoting the grand reunification festival common to the nation at home and abroad in future, out of the desire that people of the North, the South and overseas will jointly promote the August 15 grand reunification festival.

The grand reunification festival celebrating the 50th anniversary of the liberation of the country can be held with success only through the nationwide struggle to check and frustrate the anti-reunification, confrontation moves of the splittist forces who block it.

Whether the anti-reunification moves of the splittist forces are smashed and the grand reunification festival celebrating the 50th anniversary of the liberation of the country is held with success, or not, is related to whether the timetable of the reunification in the 90s the Korean nation proclaimed to the world is kept or not.

All the compatriots in the North, the South and overseas, no matter where they live and what they do, should turn out in the struggle to decisively check and frustrate the anti-national, anti-reunification moves of the Kim Yong-sam group and successfully hold the grand reunification festival celebrating the 50th anniversary of the liberation of the country.

### **Koreans in PRC Criticize ROK Security Law**

*SK0903043495 Pyongyang KCNA in English 0411  
GMT 9 Mar 95*

["Scrapping of 'NSL' Called For"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, March 8 (KCNA)—The issue No. 1 of "PAEKTU-HALLA", magazine published by the headquarters of Koreans in China of the National Alliance for the Country's Reunification, carried an article titled "'National Security Law' [NSL] That Blocks North-South Dialogue and Erodes South Korean Society Should Immediately Be Scrapped".

The article says to do away with the notorious "NSL" in South Korea is a top priority for achieving national reunification in the 90s as well as a strong demand of the South Korean and the international community.

The "NSL" must immediately be scrapped, a law of partition and confrontation and a most anti-national law that defines the DPRK where the fellow countrymen live as an "enemy" and is used in cracking down upon many patriots calling for national reunification and democratisation.

### **Indian Lawyers Group Head on Armistice Agreement**

*SK0903111095 Pyongyang KCNA in English 1015  
GMT 9 Mar 95*

["Korean Armistice Agreement Should Immediately Be Replaced by Peace Agreement"—KCNA headline]



[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—South Korea's allegation that it is a "party concerned" for the establishment of a new peace mechanism is a total distortion of history, declared Jitendra Sharma [name as received], general secretary of the Indian Association of Lawyers, in a statement on March 1.

To set up a new peace mechanism to replace the Armistice Agreement on the Korean peninsula is a question that should be resolved through negotiations between the Democratic People's Republic of Korea and the United States, he said, and went on:

"Yet it is a foolish attempt to include in it the South Korean authorities with no qualification and justification to poke their nose into it.

"The United States must discharge its obligation to set up a new peace mechanism, mindful of the vulnerability of the present Armistice Agreement.

"To set up a new peace mechanism on the Korean peninsula is an important prerequisite to implementing the DPRK-U.S. agreed framework in full, and the Korean Armistice Agreement must immediately be replaced by a peace agreement."

**Japan's Attempts To Change UN Charter Viewed**  
*SK0903051795 Pyongyang KCNA in English 0448*  
*GMT 9 Mar 95*

["Japan Cannot Yet Clear Herself of Infamous Name of 'Enemy State'"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—NODONG SINMUN today comments on the attempts of the Japanese authorities to have an article of the UN Charter on "enemy states" crossed out.

Recalling that the Japanese authorities have launched into a "diplomatic offensive" to win international support for their efforts to have the article on the "enemy states" deleted arguing that the article of the UN Charter is "outmoded" and saying they "recommend" the most appropriate legal measure for its deletion, the analyst of the paper says:

This article of the UN Charter defines as the enemy of humankind those countries which started a war of aggression against other countries and plunged humanity into misfortunes and disasters during the Second World War. The word "enemy state" reflects the determination of the peaceloving forces not to pardon the past crimes of the [words indistinct] not to make them take the road of aggression again.

Japan, however, refuses to admit and apologize and compensate for the past crimes of the Japanese imperialists in invading Asian nations including Korea and imposing immeasurable misfortunes and sufferings upon the peoples of those countries, though nearly 50 years have passed since the end of the war.

On the contrary, militaristic remarks praising the Japanese imperialists' acts of aggression are rolling off the tongues of the Japanese authorities in an unbroken chain.

Japan is recklessly running about to repeat the past records, far from expressing her will not to repeat them. It is to gratify such militaristic desire that the Japanese authorities are accelerating the conversion of Japan into a military power and a nuclear power at a crackpot speed.

Judging from this, Japan has no elementary qualification to be removed from the article on "enemy states". Japan is trying to clear herself of the infamous name of "enemy state", motivated by her sinister purpose to become a political power and military power and thus take part in the scrambles for worldwide domination.

The Japanese authorities had better stop behaving impudently and ponder over their position.

**Memory of Korean Quake Victims in Japan Honored**

*SK0903112495 Pyongyang KCNA in English 1045*  
*GMT 9 Mar 95*

[FBIS Transcribed Text] Kobe, March 7 [date as received] (KNS-KCNA)—A joint memorial service was held in Kobe on last Saturday for the Korean victims of the great earthquake in Japan.

On the platform of the service hall were name tablets and a list of names of the deceased and on their either side were flowers from the central headquarters of the General Association of Korean Residents in Japan (Chongnyon) and from Prime Minister Tomiichi Murayama, speaker of the House of Representatives Takako Doi, personages of different circles and organizations of Japan.

Present at the service were Yi Chin-kyu, first vice-chairman of the Chongnyon Central Standing Committee, O Hyong-chin, vice-chairman of the Chongnyon Central Standing Committee and concurrently chairman of the Osaka prefectural headquarters of Chongnyon, chairmen of prefectural headquarters of Chongnyon, Korean residents in Japan and Japanese figures from all walks of life, more than 3,000 all told.

The participants paid a silent tribute to the memory of the deceased.

The consolatory telegram and money sent by the great leader Marshal Kim Chong-il were conveyed there.

In the memorial address, Choe Su-yong, chairman of the measure committee of the Hyogo prefectural headquarters of Chongnyon for the relief of Korean sufferers from the great Osaka-Kobe-Awaji earthquake, said that the Korean quake sufferers felt more deeply the blessings in having sagacious leaders through generations upon receiving in tears the consolatory telegram and money



imbued with love from respected General Kim Chong-il, that compatriots under the influence of the South Korean residents Association in Japan and unorganised compatriots, too, are moved by all-embracing politics and warmest love for the nation of the general and extended their heartfelt thanks to him.

He expressed the determination to strive with united efforts to clear away the quake damages as soon as possible and to bring about a fresh innovation and upswing in carrying out the patriotic tasks, cherishing in mind the noble intention of respected general.

Then followed mourning addresses by acting governor of Hyogo prefecture Kazuhiro Fujimoto and delegates of various social strata.

The participants laid flowers before the name tablets of the dead, vowing to recover from the quake damages at an early date by the efforts of all compatriots.

#### **Foreign Minister Meets New Tunisian Ambassador**

*SK0903043295 Pyongyang KCNA in English 0412 GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 8 (KCNA)—Vice-Premier and Foreign Minister Kim Yong-nam met and conversed with newly-appointed Tunisian Ambassador E.P. [extraordinary and plenipotentiary] to Korea Abdelhamid Ben Messaouda who paid a courtesy call on him Wednesday.

#### **Foreign Media Commemorates Kim Chong-il Birthday**

*SK0903043595 Pyongyang KCNA in English 0417 GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—Foreign news media dedicated articles to the birthday of the great leader Comrade Kim Chong-il.

The Russian paper RUSSISKAYA PRAVDA in an article headlined "Socialist Cause to Victory" said:

The supreme leader Comrade Kim Chong-il is standing at the head of the Korean people.

He is a great leader who provided an ideological and theoretical guideline for the victorious advance of the socialist cause.

He expounded with a profound theory the position and role of the *chuche* idea, the guiding idea representing the present and future of humankind, from the first days of his guidance of the Workers' Party of Korea and the Korean revolution and has comprehensively developed it in depth to put Korean-style socialism on a more solid ideological and theoretical foundation.

Comrade Kim Chong-il also indicated the strategy and tactics for leading the socialist movement of the world to a new upsurge.

He is leading the socialist cause to victory with his revolutionary faith and will, his matchless grit and resource.

The Mongolian paper ULAANBAATAR, the Romanian paper NATIUNEA and the Nicaraguan paper LA PRENSA carried articles entitled "Birthday of the Leader", "His Excellency Kim Chong-il, the Great Leader of the Democratic People's Republic of Korea" and so on.

Meanwhile, the commemorative bulletin "The Chuche Idea" No. 2 was published by the African Regional Committee for the Study of the Chuche Idea on the occasion of the birthday of Comrade Kim Chong-il.

#### **Kim Chong-il Receives More Condolence Messages**

*SK0903114695 Pyongyang KCNA in English 1053 GMT 9 Mar 95*

[All names of political parties figures as received]

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—The great leader Comrade Kim Chong-il received messages of condolence from different countries on the death of marshal of the Korean People's Army O Chin-u, member of the Presidium of the Political Bureau of the Central Committee of the Workers' Party of Korea [WPK], first vice-chairman of the National Defence Commission of the Democratic People's Republic of Korea, member of the Central Military Commission of the WPK and minister of the People's Armed Forces.

The messages came from Sani Abacha, head of state and commander-in-chief of the Armed Forces of the Federal Republic of Nigeria; Alpha Oumar Konare, president and head of state of the Republic of Mali; Zoran Lilic, president of the Federal Republic of Yugoslavia; Benazir Bhutto, prime minister of the Islamic Republic of Pakistan; the Central Committee of the Lao People's Revolutionary Party; Norodom Ranariddh, first prime minister of the royal Government of Cambodia and chairman of the [words indistinct] party; Chea Sim, chairman of the Central Committee of the People's Party of Cambodia; V.V. Zhirinovskiy, chairman of the Liberal Democratic Party of Russia; Nina Andreyeva, general secretary of the Central Committee of the All-Union Communist Party of Bolsheviks; V. I. Anpilov, chairman of the executive committee of the "Working Russia" movement and secretary of the Central Committee of the Communist Workers' Party of Russia; O. Shenin, chairman of the council of the Union of Communist Parties-the Communist Party of the Soviet Union; Chairman Valeriy Skurlatov and member I.N. Brumel of the executive committee of the Russian Free Patriotic party for "Revival"; and Genaro Ledesma Izquieta, chairman of the People's Front of Workers, Peasants and Students in Peru.



Messages were also sent by Raul Castro Ruz, minister of the Revolutionary Armed Forces of Cuba; Wichit Sukmark, minister of defence of the Kingdom of Thailand; Muhammad Hussein Tantawi, commander-in-chief of the Armed Forces and minister of defence and military production, and Salah Hallabi, chief of the staff of the Armed Forces of the Arab Republic of Egypt; Pavel Grachev, minister of defence of Russia; Gheorghe Tinca, minister of national defence of Romania; and Shahir Muhammad, Palestinian ambassador to Korea and embassy officials.

The messages say that the death of O Chin-u, a revolutionary soldier most loyal to the great leader President Kim Il-song, a revolutionary comrade-in-arms and comrade most intimate to Comrade Kim Chong-il and a prominent activist of the Workers's Party of Korea, the state and the Army, is a great loss to the Korean people.

#### **Seminars Held Abroad on Kim Chong-il's Works**

*SK0903050295 Pyongyang KCNA in English 0422  
GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—Seminars on famous works of the great leader Comrade Kim Chong-il were held in different countries.

A seminar on his famous work "Socialism Is a Science" was cosponsored by the chuche idea study group of Britain, the British Society for the Study of Independence and the Britain-Korea Friendship Committee in London.

At the seminar the reporter and speakers stressed that the work "Socialism Is a Science" published by Comrade Kim Chong-il on November 1 last year is a highly important work which deals a heavy blow at the imperialists who are crying over "the end of socialism" and equips the revolutionary people of the world with a theory of scientific socialism and calls them to the accomplishment of the socialist cause.

Comrade Kim Chong-il has made a great contribution to the accomplishment of the socialist cause, keenly feeling the requirement of the era for the scientification of the socialist theory, they said.

They noted that Korea has been able to successfully build socialism centred on the popular masses because it has correctly applied the socialist theory of chuche under the wise guidance of the great leader President Kim Il-song and Comrade Kim Chong-il.

Seminars on this work were held by the Group for the Study of the Chuche Idea-Azimio of the Administration and Development College in Mjumbe, Morogoro, Tanzania, and the Togolese Fellowship Society for Honoring the Memory of President Kim Il-song and at the building of the Socialist (Communist) Party of Romania.

A seminar on the works "The Historical Lesson in Building Socialism and the General Line of Our Party" and "Socialism Is a Science" was held by the Group for

the Study of the Chuche Idea of the Marien Ngouabi University of the Congo with the attendance of members of the group and professors of the university.

#### **Kim Chong-il Sends Thanks to Officials, Workers**

*SK0903050695 Pyongyang KCNA in English 0442  
GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—The great leader Comrade Kim Chong-il sent thanks to officials, technicians and workers of the State Commission of Science and Technology, the welding institute of the National Academy of Sciences, the Yong-song associated machinery bureau, the Hungnam fertilizer complex and the general power substation of North Hamgyong Province, an instructor of the Ministry of the Coal Industry Pak Man-pok and a worker of the Korean Taekwondo Committee Pak Yong-chol, for having made contributions to implementing the revolutionary economic strategy of the Workers' Party of Korea and developing national science and technology.

His thanks also went to the agitators at the Komdok mining complex who have conducted active agitation for many years to bring into full play the revolutionary zeal and creative activity of party members and other working people.

#### **More Reports on Visits to Kim Il-song's Statue**

##### **Foreigners Visit Statue**

*SK0903045995 Pyongyang KCNA in English 0427  
GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—New Tunisian Ambassador to Korea Abdelhamid Ben Messaouda Wednesday placed a floral basket before the statue of the great leader President Kim Il-song on Mansu Hill here and paid him homage.

The ambassador said he was laying a floral basket before the statue of President Kim Il-song on the lapse of 8 months since he passed away. His death is the sorrow not only of the fraternal Korean people but also of the entire Tunisian people, he said.

President Kim Il-song was a great anti-imperialist fighter, he stressed.

"We hope that the Korean people will achieve greater success in their efforts to carry into reality the behests of President Kim Il-song in a firm unity around his excellency the great leader Kim Chong-il," he added.

On the same day, the visiting delegation of the Kim Il-song kindergarten of Mongolia laid a floral bouquet before the statue of President Kim Il-song on Mansu Hill and paid homage to him.

##### **Overseas Koreans Visit Statue**

*SK0903055195 Pyongyang KCNA in English 0430  
GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—Overseas Koreans staying in the socialist



homeland laid Wednesday floral baskets and bouquets of flowers before the statue of the great leader President Kim Il-song on Mansu Hill on the lapse of 8 months since his death.

Head of the art troupe of Koreans in China Mun Tae-hwan and other overseas Koreans laid floral baskets and bouquets of flowers before the statue of President Kim Il-song and made a bow to the great leader, the sun of the nation and tender-hearted father who devoted his whole life only to the freedom and happiness of the people and built a strong socialist country in this land, with earnest yearning for him.

They vowed to cherish deep in their hearts the greatest pride and honor of having the supreme leader of the nation in the person of the great leader General Kim Chong-il and pull their weight to bring an early reunification of the country and achieve the prosperity and development of their country, their motherland.

#### **Democratic Front Members Visit**

*SK0903045895 Pyongyang KCNA in English 0424  
GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—Chief Yi Chong-sang and members of the Pyongyang mission of the National Democratic Front of South Korea (NDFSK) [name of organization as received] Wednesday called at the statue of the great leader President Kim Il-song on Mansu Hill and paid homage to him on the lapse of 8 months since his passing away.

They laid a floral basket and made a deep bow before the statue of President Kim Il-song who devoted his all for the prosperity and development of the country and its independent, peaceful reunification.

They renewed their determination to hold in high esteem and follow the great leader Comrade Kim Chong-il for good and all and take the lead in the struggle for realising President Kim Il-song's behests on reunification without fail.

#### **Soldiers, Students Lay Flowers**

*SK0903041995 Pyongyang KCNA in English 0404  
GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 8 (KCNA)—People, People's Army soldiers, students and school children across the country laid floral baskets and bouquets before the statues of the great leader President Kim Il-song on March 8 on the lapse of 8 months since his death.

Before the statue of President Kim Il-song on Mansu Hill in Pyongyang there were laid floral baskets by the party and power bodies, administrative and economic organs, central organs, People's Army units, public security organs, as well as organs and organizations at all levels,

factories, enterprises, cooperative farms and schools in Pyongyang, and bouquets and flowers by people from all walks of life.

Many working people, People's Army soldiers, students and school children laid floral baskets, bouquets and flowers also before the statues of the great leader at Kim Il-song University, Kim Il-song Military University, the Mangyongdae Revolutionary School and other places of Pyongyang.

Working people, People's Army soldiers, students and school children across the country laid floral baskets and bouquets before President Kim Il-song's statues standing in their places.

Written on the ribbons hanging from the floral baskets are the letters reading "The great leader Comrade Kim Il-song will always be with us" and "The great revolutionary feats of the respected leader Generalissimo Kim Il-song will be immortal!"

The people who visited the statues of President Kim Il-song made a bow in reverence for him who devoted his whole life to the popular masses' cause of independence and conducted energetic activities for the prosperity and development of the country, the happiness of the people, the reunification of the country and global independence.

Before the statues of President Kim Il-song, the people, People's Army soldiers, students and school children renewed their unshakable faith and iron will to vigorously struggle to make this year in which fall the 50th anniversary of the foundation of the Workers' Party of Korea and the liberation of the country a most brilliant year in the history of the country and make the country, the motherland, more prosperous by pushing ahead with socialist construction with the might of singlehearted unity around the great leader Comrade Kim Chong-il.

#### **Eight Months Since Kim Il-song's Death Marked**

*SK0903112395 Pyongyang KCNA in English 1038  
GMT 9 Mar 95*

["It Is Unshakable Will of Korean People To Uphold Great Comrade Kim Il-song Forever"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—NODONG SINMUN today carries an article on the lapse of 8 months since the great leader Comrade Kim Il-song passed away.

It is our people's unshakable faith and will to loyally uphold the great Comrade Kim Il-song forever as the leader of our party and revolution, the paper in a by-lined article says.

It quotes the great leader Comrade Kim Chong-il as saying:



"It is our people's unshakable will to loyally uphold respected Comrade Kim Il-song forever as the leader of our party and revolution."

The article further says:

The unshakable will of our people to uphold the great leader Comrade Kim Il-song forever is clearly expressed in the fact that they trust and follow him as the mental pillar, the eternal sun.

The great leader Comrade Kim Il-song was the sun of chuche who saved and led the destiny of our people, the mental pillar to which they lived and made the revolution, entrusting their destiny, and a symbol of invincibility.

Our people, who have deeply learned that they can win in the revolution, lead a worthwhile life and have a bright future only when they trust and follow the great leader, are vigorously struggling, cherishing deep in mind the slogan "The great leader Comrade Kim Il-song will always be with us".

The unshakable will of our people to uphold Comrade Kim Il-song forever is demonstrated in their living and struggling, regarding his revolutionary idea, the chuche idea, as their eternal lifeline.

The chuche idea founded by the great leader is the revolutionary banner which leads the revolution and construction to certain victory and the unique guiding idea of our era. With noble ideological and mental traits our people are arming themselves with the chuche idea, the revolutionary idea of the great leader as their bone and flesh and carrying out the revolution and construction with it as a criterion.

The struggle and life of our people who find out their road from the chuche idea, renew conviction and fighting spirit, transform nature and society and reshape man with the chuche idea as a weapon are, indeed, the struggle and life which will always be with the great leader.

The unshakable will of our people to uphold Comrade Kim Il-song forever is clearly found in firmly defending and glorifying the revolutionary feats performed by him all his life.

The immortal feats of the great leader comprise all units and all domains of the revolution and construction including politics, economy, culture and military affairs. For the profundity and richness of their content, they have eternal vitality. There were many great men in the history of the East and the West but we know no such great leader as our leader who died at his post of duty after laying all the foundations to achieve the final victory of the revolution while pioneering and advancing the new era of history.

Our people regard the immortal feats performed by the great leader for the era and revolution, the country and the people, undergoing hardships and sufferings, as the

eternal treasures which will forever link the lineage of our revolution, as a solid foundation to carry the socialist cause to accomplishment, and they are devoting all their energies, wisdom and enthusiasm to further exalting them.

The great leader Comrade Kim Il-song is immortal in the hearts of our people as the eternal sun of chuche, with the clean mind and absolute worship of the revolutionary soldiers.

### **National Production Achievements Reported**

*SK0903111295 Pyongyang KCNA in English 1019  
GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—Achievements in production are being expanded at different units of the national economy of Korea.

The Anju, Sunchon, Kaechon and other coal complexes are topping their daily coal production quotas 10 percent in March after overfulfilling their national economic plans in February.

The Sanghwa youth coal mine of the Onsong area coal complex excavated thousands of tons of more coal in recent seven days than in the same period of the previous month.

The associated bureau for the forestry industry in Yanggang Province is surpassing the daily plan for timber by hundreds of cubic metres. The Taepyong forestry station hit the timber production target for the first quarter of the year on February 15 and is now expanding the achievements.

The associated marine transport bureau is going beyond the daily freight transport plan 20 percent these days. It overfulfilled the February target.

The Komdok mining complex is topping its daily quotas of the yearly plan set 30 percent higher than last year's. Scores of units have beaten their targets for the first quarter of the year.

The Anju and Yongbyon silk textile mills under the Korea Silk Associated General Company are overfulfilling their daily plans 20 to 50 percent by actively tapping and mobilizing latent reserves.

Besides, the Yongsong Associated Machinery Bureau, the Sangwon cement complex, the Musan mining complex, the Sunghori cement factory, the Kim Chong-tae general electric locomotive works, the Haeju smeltery and many other units are boosting production.

### **Accomplishments of 'Peasant Heroes' Highlighted**

*SK0903112195 Pyongyang KCNA in English 1029  
GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—Many people have been decorated by the state



and some awarded the title of hero in the agricultural sector of Korea since the agrarian reform in the spring of 1946.

Over the past three decades more than 400 agricultural working people have become heroes for their significant role in grain production and the development of agriculture.

The first peasant hero was Kim Che-won in Chaeryong County, South Hwanghae Province.

He did a good farming in the year of the agrarian reform and donated 30 straw bags of rice to the country to repay his debt of gratitude to the great leader President Kim Il-song, who realised the long-cherished desire of the peasants to become the masters of land.

The great leader, praising him as a true peasant of new Korea, saw to it that he was elected a deputy to the Supreme People's Assembly. In the period of the fatherland liberation war he fell in a valiant fight against the enemy to defend his home village. The state named his village Kim Che-won-ri and renamed Haeju University of Agriculture Kim Che-won University. The feature film "A Peasant Hero" is about him.

Among the heroes are Yi Chan-hwa in Singye County, North Hwanghae Province, who made a 250-mile journey to a safe place with a hundred and several dozen heads of sheep and fulfilled the plan of the grain production at 170 percent in the period of the war, and Kim Nak-hui in Kaechon city, South Pyongan Province, who led the van in the wartime increased production of grain as a ploughwoman. Kim Nak-hui is now the chairwoman of the South Pyongan provincial rural economy committee.

There are many heroes who are working hard in the socialist countryside, succeeding to their fathers. Yim Ki-hwan, chairman of the management board of the Okto cooperative farm, Yonggang County, Nampo Municipality, is one of them. Yim Kun-sang, his father, was active as a deputy to the Supreme People's Assembly, the chairman of the management board of the cooperative farm and a hero under the deep care of President Kim Il-song.

President Kim Il-song visited the farm on more than 20 occasions and gave him a detailed knowledge of the *chuche* method of farming. When he made achievements in grain production and the development of the rural economy, the president highly praised him as a model peasant and a patriot. And when he died, the president recollected with deep emotion, saying that he was a revolutionary of the countryside who remained faithful to the Workers' Party of Korea.

The great leader Comrade Kim Chong-il put Yim Ki-hwan at his father's post.

Yu Chong-hyon, chairman of the management board of the Hwasan cooperative farm, Sinchon County, South

Hwanghae Province, is one of those who have become heroes under the deep care of the party. Comrade Kim Chong-il visited the farm in 1973 and encouraged him to build an earthly paradise in his home village with a determination to take a thousand-fold revenge on the enemy who killed his whole family during the Korean war. Hwasan-ri, his home village, has now turned into a modern village with its grain production and fruit production jumping respectively two times and five times the figures some 20 years ago.

More peasant heroes will emerge in Korea with the prosperity of the socialist countryside.

### **Company's Chemical, Medicinal Exports Described**

*SK0903042995 Pyongyang KCNA in English 0409 GMT 9 Mar 95*

[FBIS Transcribed Text] Pyongyang, March 8 (KCNA)—Metal, chemical, medicinal and other products exported by the Korea Paeksong Trading Corporation are well received on foreign markets.

Typical of them are bismuth, antimony, tellurium, arsenic and mercury of high purity, anti-cerebral tumour drug (Changmyong nutrition tablet), personal hypertension treatment device, zinc-titanium powder and brushless generator.

The anti-cerebral tumour drug developed by Dr. Mun Ho of the Industrial Microbiological Institute is popular in various countries. It is specially efficacious for curing cerebral tumour, the sequela of cerebral contusion, breast cancer, hepatitis and nephritis and for the restoration of the vigor of old men and for the prevention of senility.

The personal hypertension treatment device based on the principle of reducing blood-pressure by giving a cold stimulus to the regions of acupuncture, a traditional Koryo curative means, produces no side effects and its curing rate is 90 to 93 percent.

When treated with this device, blood-pressure falls by 20 odd mm Hg, and the lowered blood-pressure remains fixed for six months.

Produced by the corporation, zinc-titanium powder (granule 5 to 10 microns and oxide content below 6 percent) is of great use in the shipbuilding industry.

Also popular are the electric brush, mini-windcharger, natural colour stone grains-interior finishing materials, sensitive elements for thermometry and hygrometry, polysaccharide of herb of eternal youth and other Koryo medicines.

The corporation is now directing big efforts to the expansion of the production bases.

### **Paper Stresses Promotion of Social Development**

*SK0903103095 Pyongyang KCNA in English 1003 GMT 9 Mar 95*

["Social Development Is Demand of the Time"—KCNA headline]



[FBIS Transcribed Text] Pyongyang, March 9 (KCNA)—It is an urgent task facing humankind at present to promote social development by solving the unemployment problem, liquidating poverty and ensuring social harmony, stresses NODONG SINMUN in a by-lined article today.

The article says:

The gap between the rich and the poor is widening in the world. 20 percent of the world population take 85 percent of the world's output value, while the poorest people representing 20 percent get only 1.4 percent of it.

This shows that if all the countries do not pay attention to social development such as the removal of unemployment and poverty and the achievement of social harmony, the existence of humankind will be in danger.

What is important for each country in developing the society is to shape and implement the line and policies suited to its specific conditions and situation with the interests of the popular masses put above anything else and ensure peace and security in each country and region.

Genuine social development is possible only when the popular masses are got on the move with their interests given the top place. If all the nations reduce military expenditures and Armed Forces and turn the fund accruing from this to social development, it will be helpful towards the promotion of the people's wellbeing.

To realise South-South cooperation in the spirit of collective self-reliance is an important way of achieving social development in developing nations.

The development of South-South cooperation will enable the developing nations to free themselves from economic yokes and dependence, successfully build an independent national economy and establish a new fair international economic order.

The developing countries have failed to make a noticeable progress in social development because of the consequences of the imperialists' colonial rule and neo-colonial exploitation and plunder. So, the developed nations ought to help the developing nations in social development.

The desire of progressive humankind to build a new world where all the nations well live peacefully, freed from all manner of domination, subjugation and inequality, will surely be realised.

### South Korea

#### DPRK Threatens Resumption of Yongbyon Reactor

SK0903023895 Seoul KBS-1 Radio Network in Korean 0200 GMT 9 Mar 95

[YONHAP from Tokyo]

[FBIS Translated Text] Japanese NIHON KEIZAI SHIMBUN reported today that North Korea conveyed to the United States its intention to resume the operation of the experimental reactor in Yongbyon, whose activities have been frozen, if an agreement on the supply of light-water reactors cannot be concluded by 21 April, the deadline for the agreement according to the North Korea-U.S. agreed framework. The paper reported that Kang Sok-chu, first vice foreign minister of North Korea, conveyed the North Korean policy in a letter sent to Gallucci, U.S. nuclear ambassador, on 2 March.

The North Korean move is analyzed to be a measure to restrain the ROK, the United States, and Japan, who are insisting on ROK-model light-water reactors.

#### Nuclear Solution Urged Before Japan-DPRK Ties SK0903125095 Seoul YONHAP in English 1239 GMT 9 Mar 95

[FBIS Transcribed Text] Seoul, March 9 (YONHAP)—The South Korean Government is in the position that the nuclear issue should be resolved first before diplomacy relations are normalized between Japan and North Korea, a senior government official said Thursday.

Mun Pong-chu, Foreign Ministry's deputy director-general for Asian affairs, made this clear in a comment on the reported unofficial talks held between Tokyo and Pyongyang in Singapore last month to discuss possible resumption of rapprochement negotiations.

"My government regards it as possible for Japan and North Korea to resume talks to normalize their relations," Mun said.

He was quick to add, however, that for the normalization of their full relations, various issues pending between them, especially the North Korean nuclear question, should be resolved first satisfactorily.

The Tokyo-Pyongyang normalization talks were begun in January 1991 but suspended in November 1992 due to the nuclear question and the issue of the identity of Yi Un-hoe.

The two countries, however, had come in contacts from time to time in Beijing and a couple of other third countries since the United States and North Korea signed an agreement on the nuclear question in Geneva late last year.

#### North Succession, Display of Kim Il-song Viewed SK0903035395 Seoul CHOSON ILBO in Korean 9 Mar 94 p 2

[By reporters To Chun-ho and Kim Yon-kwang in Yanji, PRC]

[FBIS Translated Text] It was confirmed that the body of Kim Il-song, who died in July 1994, will be mummified and displayed in the center of the Taesongsan Martyrs Cemetery in Pyongyang.



According to a source well informed on North Korean affairs, the "23 August Project Team," which was established on 23 August 1994, is in charge of the tomb construction project and the Revolutionary Historical Sites Management Office is implementing it.

The site of Kim Il-song's tomb was decided in accordance with Kim Chong-il's repeated instruction that "the leader [suryong] should be laid in state at the center of anti-Japanese revolutionary martyrs and close to Comrade Kim Chong-suk (first wife of Kim Il-song and Kim Chong-il's mother)."

North Korea gave an emergency order to collect some tens of thousands of tonnes each of stones, soil, clay, lime, and steel throughout the country and to transport them to North and South Hamgyong Provinces. Most of the order has reached the Hamgyong Provinces and special trucks have been sent there for transportation, the source said.

The body of Kim Il-song is now in the Presidential Palace, and is being mummified by Russian technicians. North Korea is reportedly supplying the huge amount of formalin required for the mummification process.

Kim Il-song's comrades in the anti-Japanese movement, Kim Il, Kim Hyok, Cha Kwang-su, O Paek-yong, Kang Kon, and Kim Chaek were buried in the Taesongsan Revolutionary Martyrs' Cemetery. Kim Chong-suk was buried in the central part of the cemetery.

Kim Chong-il's succession as the party general secretary and president is expected to take place after the completion of the tomb building project. The source said: "It is difficult for Kim Chong-il to officially ascend to power as long as Kim Il-song's corpse lies in the Presidential Palace. The official power succession is expected to take place in the latter half of this year at the earliest, but it could be further postponed."

#### **Report: 6 Percent of DPRK Soldiers Malnourished**

*SK0903092995 Seoul SEOUL SINMUN in Korean 9 Mar 95 p 22*

[Report by Ku Pon-yong]

[FBIS Translated Text] It was learned on 8 March that food shortages in the North Korean People's Army have taken such an unfavorable turn that approximately 6 percent of the soldiers are suffering from malnutrition.

According to a report on North Korea's present state, which was mapped out by the ROK Government on the basis of testimony given by North Korean defectors who used to be soldiers, approximately 6 percent of the North Korean soldiers are malnourished and are hospitalized in "rest homes" (so-called nutrition recovery companies) located in every unit.

"The rest home" is set up in every battalion, regiment, Army division, and Army corps. There are reportedly

five to six patients in each battalion "rest home" and about 500 in each regiment "rest home."

"The rest home" operated by North Korea's military hospitals provides soybeans, glutinous rice, and pork to inpatients in an effort to improve their health, however, most of the patients suffer from serious stomach disorders and distention due to severe malnutrition.

It was also learned that as the percentage of those who join the Workers' Party of Korea while serving in the People's Army has dropped from 90 to 40 percent, the feud between party and nonparty members (members of the League of Socialist Working Youths of Korea [LSWYK]) has become extreme. To iron out the feud, the North Korean authorities are vigorously carrying out the movement of "unity between party members and the LSWYK members," the defectors revealed.

#### **Kim Tae-chung Welcomes Offer of Grain to DPRK**

*SK0803085195 Seoul YONHAP in English 0749 GMT 8 Mar 95*

[FBIS Transcribed Text] Seoul, March 8 (YONHAP)—Kim Tae-chung, chairman of the Peace Foundation for the Asia-Pacific Region, welcomed Wednesday [8 March] President Kim Yong-sam's offer Tuesday to supply North Korea with grain, raw materials and other daily necessities on a long-term low-interest loan basis.

"As late as it is, the proposal is welcomed," Chairman Kim said, "It is expected that the offer will lead to a breakthrough in the strained inter-Korean relations since the controversy over condolences for the death of North Korean President Kim Il-song."

Kim made the remarks in the text of his special lecture he is to deliver Wednesday evening during a lent service at the Myongdong Catholic Cathedral in central Seoul. The text was released in advance.

Referring to inter-Korean dialogue, Kim said, "I think it will greatly help improve inter-Korean relations to encourage positive exchanges between ruling and opposition parties of South and North Korea, including a visit to the North by Democratic Party President Yi Ki-taek."

He added, "But individual or group exchanges must be conducted under government approval, and decisions on and execution of the policy toward the North should be made under the government's authority and responsibility."

#### **Burial of Pro-North Prisoner at Mangwol Probed**

*SK0803124795 Seoul YONHAP in English 1158 GMT 8 Mar 95*

[FBIS Transcribed Text] Kwangju, March 8 (YONHAP)—The Kwangju District Prosecutor's Office launched on Wednesday [8 March] an investigation into the background leading to the burial of an ex-pro-North



Korean prisoner at the Mangwol Cemetery here reserved largely for "democracy fighters."

The prosecution summoned for questioning Ki Se-mun, age 60, a Kwangju merchant. Ki acted as chairman of the Funeral Executive Committee for Yun Ki-nam, 70, who died last Feb. 24.

Yun had been in prison for decades on three separate terms—first for working as a communist guerrilla, second for hiding a North Korean spy, and third for praising North Korea, during the course of which he refused to change his allegiance to communism.

Ki and his committee are suspected of referring to Yun as "patriotic fighter" in making his funeral placards and thus violating the National Security Law.

Noting that Yun was buried at the Third Mangwol-tong Cemetery area near the May 18 Cemetery reserved for the victims of 1980 Kwangju incident, a prosecution source said this cannot be in line with the democracy-oriented regional sentiments of the Kwangju area.

"We will of course look into the process of the selection of his tomb site as well and will determine whether to take legal actions against those involved after further investigation," the source said.

#### **Polish Delegation Leaves Pyongyang for Beijing**

*SK0903024695 Seoul SEOUL SINMUN in Korean 9 Mar 95 p 1*

[Report by Yi Sok-u from Beijing]

[FBIS Translated Text] A relevant official in the Polish Embassy in Beijing stated: Poland has decided to summon its military delegation to the Neutral Nations Supervisory Commission [NNSC], which supervises the Armistice Agreement, in Panmunjom. In fact, it has indeed ended the activity of its delegation to the NNSC.

The official stated that "six Polish delegates to the NNSC led by Major General (Oup Darek) left Pyongyang for Beijing by train on the afternoon of 8 March and arrived in Beijing on the morning of 9 March." He also stated that "they would return home after staying in the Polish Embassy in Beijing for five or six days."

Accordingly, the activity of the Polish delegation to the NNSC in Panmunjom has, in fact, ended. As a result, the armistice system on the Korean peninsula been shaken at its root. In the meantime, relevant officials of the Ministry of Foreign Affairs, including the ROK Embassy in Beijing, stated that the Polish delegation would stay in Beijing and continue its activity as the delegation to the NNSC from there.

The Polish delegation remained in Pyongyang after withdrawing from Panmunjom on 28 February due to North Korea's forcible measures.

#### **Polish NNSC Members: DPRK Pressure 'Acute'**

*SK0903104795 Seoul YONHAP in English 1035 GMT 9 Mar 95*

[FBIS Transcribed Text] Beijing, March 9 (YONHAP)—The six Polish members of the Neutral Nations Supervisory Commission (NNSC) of the Korean Armistice said here Thursday that pressures from North Korea were so acute in the last one month that it was almost impossible to lead their daily lives properly.

On arrival here from Pyongyang by train, Maj. Gen. Krzysztof Owczarek [as received], senior Polish NNSC member, said the pressures began immediately after Pyongyang told them late last January to leave North Korea.

"They informed us toward the end of last January that we should leave," the Polish general said. "The North also notified us that they would stop providing all conveniences to us until we decide to leave."

Asked if Poland were thinking of taking retaliatory steps against North Korea, Gen. Owczarek said it was a matter that does not fall upon the realm of his duties.

He said, however, that despite their departure from the North Korean sector of the Korean Demilitarized Zone, Poland continues to remain a member nation of the Neutral Nations Supervisory Commission.

The Polish NNSC members are to return to Warsaw next week after staying in Beijing for some days.

A Polish source here said he understands China had rejected the Polish suggestion that China render cooperation so that the Polish NNSC members would be able to carry on their NNSC duties in Beijing.

#### **Increase in Japanese Investment in Korea Noted**

*SK0903061095 Seoul YONHAP in English 0528 GMT 9 Mar 95*

[FBIS Transcribed Text] Seoul, March 9 (YONHAP)—Japanese businesses sharply increased their investments in South Korea's manufacturing sector last year in the process of transferring their production bases to foreign countries to ease the burden of the strong Japanese yen.

The volume of Japanese investments in the country is expected to increase further this year as the value of the Japanese currency has been on a sharp upturn recently.

The Ministry of International Trade and Industry said Thursday that the Japanese investments in South Korea's manufacturing industry numbered 71 cases last year, 33 more than in 1993, worth a total of 121,515,000 U.S. dollars, a 24 percent increase over the previous year.

Japanese investments in South Korea were conspicuous in the electric, electronic, machinery and chemical



industries where the Japanese businesses' price competitiveness has weakened due to the strong yen.

Machinery received the highest amount of Japanese investment in the country with 23,445,000 dollars, up 39.5 percent from the previous year, followed by chemicals with 26,350,000 dollars, up 102 percent, and electric-electronic industry with 15,807,000 dollars, a whopping 139 percent rise from 1993.

Japanese investments in other manufacturing areas soared 301 percent to 25,820,000 dollars while those in the textile and garment sectors rose 157.7 percent to 1,721,000 dollars.

On the other hand, Japanese investments in the fields of transportation equipment, metals and medicine reduced to half the amount of 1993.

Ministry officials attributed the sharp increase of Japanese investment to the tendency of Japanese businesses to move their production facilities to other Asian countries to cope with the continuing appreciation of the Japanese yen.

Other factors of the increased Japanese investment in South Korea are the stabilizing labor-management relations and improved image of workers, a ministry official pointed out.

The official looked forward to seeing more Japanese businesses come to South Korea this year as a result of a joint government-business investment inducement team's visit to Japan last May and a 100-member Japanese joint government-civilian team's visit to South Korea last November.

#### **\* Industry's Reliance on Japan Reportedly Growing**

952C0068A Seoul CHUGAN MAEGYONG 1 Feb 95 pp 20-21

[By Han Sang-chun, senior researcher at Daewoo Economic Research Institute]

[FBIS Translated Text] The issue of our trade deficit with Japan has come to the fore once again in the wake of the major earthquake in Hyogo Prefecture, Japan, because the quake damage is bound to deal a great blow to our economy by causing a major shortage of parts and other supplies in our steel, electronics, automobile, and shipping industries, which depend heavily on Japanese parts..

Let us examine the major causes of our trade deficit with Japan and how to cope with them, if there is some way to contain them.

Our trade deficit began to rise again last year after it had been on a downward trend since 1991. Compared with 1993, the volume of our exports increased by 17.1 percent to \$96.23 billion last year, whereas the volume of imports increased by 22.1 percent to \$102.32 billion,

bringing the total trade deficit to the tune of \$6.09 billion. Particularly, the trade deficit with Japan jumped by 37.7 percent to \$11.62 billion in the same period, and thus became a major factor that was pushing up our total trade deficit.

The scale of our trade deficit with Japan is such that it depresses our potential GNP and trade scale by 3.8 percent and 5.9 percent respectively. These figures are 1.8 and 2.7 percentage points higher, respectively, in terms of what should be the optimum trade deficit level with Japan. This indicates that improving our trade deficit with Japan is an urgent task in achieving an economic self-dependence and balancing our trade account.

The main cause of the ballooning red ink in trade with Japan is the inability of our export mechanism at work in trade with Japan to adapt itself to Japan's changing import market structure. Last year Japan imported a much larger quantity of goods, particularly light-industry goods, as demand for imports soared thanks to the fast tempo of its economic recovery and the income tax cuts under the economic package announced in February. But our exports to Japan consist mainly of heavy-industry and chemical products.

As far as the accommodation coefficient is concerned—a measurement showing how well our exports to Japan adapt themselves to changes in the Japanese import structure—the coefficient was 0.882 for the 1986-88 period, indicating that our export structure adapted itself relatively well to the changes in the Japanese import structure. However, last year's export accommodation coefficient was minus 0.0777, indicating that our export structure rather came into conflict with the Japanese import structure.

As a consequence, our share of the Japanese market, which had been the highest among Asian countries until 1989, began to shrink at the turn of the decade, dropping to 4.7 percent in 1994. This figure, below the 4.8 percent in 1993, compares with a sizable increase from 8.5 percent in 1993 to 9.2 percent in 1994 in the case of China and from 1.4 percent to 1.7 percent in the same period in the case of Singapore.

A comparison of international competitiveness between our major export items and Japanese export goods shows that we are far behind in terms of competitiveness, mainly in capital and technology-intensive products such as chemicals, industrial and general machinery, electric and electronic gadgets, and medical and optical instruments, whereas we lead Japan in labor-intensive products, such as textiles, footwear, plastic products, daily necessities, and sundry goods.

This means that despite our government efforts to readjust our export structure into a capital- and technology-intensive one, we still have a long way to go before our products can compete with Japanese products in the



world market. It is noteworthy, however, that our labor-intensive products can compete with Japanese counterparts.

Plant and equipment investments in the export industries registered a two-digit increase last year, spurred by the outlook for an economic upturn and the drive to replace obsolete equipment. As a result, the import of capital goods, particularly from Japan, soared, further increasing our economic dependence on Japan.

Particularly due to the strong yen since 1993, our export structure has been reorganized with emphasis on items tending to stimulate imports from Japan. This is another factor that pushed up our trade deficit with Japan. An examination of the changes in our export structure in the last strong yen period (1986-1988) and in the current strong yen period (1993 to date) shows that electronic products and general machinery, the items which benefited in both periods, now have a larger share of the total export volume in the current strong yen period. Petrochemical products and steel products are now among other benefited items. On the contrary, light-industry products, such as textiles, footwear, and home electronic appliances, which benefited in the last strong yen period, have dropped out of the list of items benefiting from the strong yen in the current period.

However, an examination of the inducement coefficient of each of our major export items on the basis of the industrial correlation indexes, shows that where our exports items benefiting from the current strong yen, such as electronic parts, petrochemical products, general machinery, and automobiles, tend to induce imports from Japan, the inducement coefficient ranges from 0.8 to 0.17 percent. But in the case of export items not benefiting from the current strong yen, such as textiles and daily necessities, the inducement coefficient ranges from 0.4 to 0.7. An inducement coefficient of 0.17 means that when exports increase by \$1 billion, the import of Japanese parts and intermediary goods will increase by \$170 million. The booming exports arising from the strong yen will tend to increase our imports from Japan, thereby further aggravating our economic dependence on Japan.

The import of capital goods and the change in our export structure resulting from the strong yen have induced an increase in imports from Japan because our government policy for replacing imported goods by home-manufactured goods has proved ineffectual. Beginning in the late 1980's our government energetically pursued the policy of replacing major import items of parts and capital goods by home-manufactured goods. But the percentage of major imported parts and capital goods to the total demand for parts and goods still remains high, showing that the government's localization policy has not been effectual.

Our enterprises' preference for Japanese-made parts and capital goods may be mentioned as another factor tending to aggravate our trade deficit with Japan. The

inferior quality and technological competitiveness, and the poor brand image of domestic-manufactured parts and capital goods are partly responsible for our enterprises' preference for Japanese-made products, but the foremost reason is the weak price competitiveness of home-made parts and capital goods. The scope of trade in parts and capital goods is huge by the nature of the parts and capital goods markets, and the time required to recover the investment is long, and this makes the cost of raising the capital the most decisive factor in the determination of price competitiveness. But in our country where interest rates are about twice as high as the international level, it is not easy to secure price competitiveness.

On the other hand, with the inauguration of the World Trade Organization (WTO) this year, our government will be considerably hamstrung in continuing its past policy of supporting exports to Japan and curbing imports from Japan. Particularly the system of diversifying the sources of imports, which has been helpful in reducing our trade deficit with Japan, needs to be scaled down or abolished altogether because such a system comes into conflict with the most-favored-nation (MFN) treatment and the principle of reciprocity under the GATT.

Therefore many difficulties are anticipated in improving our trade deficit with Japan in the future. When we estimate the scale of our trade deficit with Japan on the basis of various factors, such as the change in demand for imports, the composition of imported goods, and the competitiveness of Korea and Japan, in the absence of the government's drastic measures to correct our trade imbalance with Japan (in practice, there are so many difficulties to implement such measures under the WTO regime), the deficit with Japan will increase to \$12.49 billion in 1999 from \$11,625 million in 1994.

Therefore, to reduce our trade deficit with Japan, which remains a perennial structural problem in our economy, and to minimize the setback from a temporary shock in the Japanese economy, such as one from the quake in Hyogo Prefecture, we need first of all to secure competitiveness in the Japanese market from the point of view of reducing the trade deficit with Japan. Particularly, our fast-growing trade deficit with Japan since last year primarily stems from the fact that an increase in our overall imports automatically increases exports to Japan because of the high degree of dependence of our industry on Japan. Our export structure, geared to the strong yen, is being readjusted in such a way as to boost the very sectors that tend to induce imports from Japan. Accordingly, to improve the overall trade balance by reducing the trade deficit with Japan, and to make exports more substantive by increasing their foreign exchange earning power, we should above all strive to lower the strong tendency of our industry and exports to induce imports from Japan.



**Dollar's Fall Examined as U.S. 'Conspiracy'***SK0903083695 Seoul CHUNGANG ILBO in Korean 8 Mar 95 p 3*

[Article by Chang Hyon-chun, chief of the International Department: "Meaning and Prospects of the Dollar's Collapse"]

[FBIS Translated Text] The dollar's exchange rates against the yen and the mark have gone down day after day, and, finally, the psychological Maginot Line of 90 yen against the dollar has collapsed. International currency exchange markets are in turmoil. Frankly speaking, no one expected the 90-yen level would collapse this fast, and foreign exchange dealers and experts in New York, Tokyo, and London are watching helplessly. In particular, those in Tokyo are virtually stupefied.

Governments and central banks of various countries feel helpless over this development. Should we consider today's phenomenon to be a prelude to the collapse of the international monetary order? This is an important question for all companies operating in today's global market.

The way each enterprise reacts to this development will determine their fate. Will the monetary order collapse? Some say yes, and others say no.

Pessimists say: Since the Bretton Woods structure virtually collapsed, no replacement has been found to maintain the international monetary order. As a result, central banks are not able to control private companies' operations.

And, optimists say: When the U.S. Federal Reserve Board intervenes in earnest later this month, it will be able to stabilize the international monetary order temporarily.

If viewed from an intermediate- to long-term perspective, however, a weak dollar is a firm trend for now. Therefore, our government and companies must adapt to this development. The sharp fall of the dollar does not merely mean that the dollar cannot play the role of sole key currency. More important is the fact that wealth is being distributed among countries on a global scale in the course of the sharp fall of the dollar. For a long time, the dollar has been an international currency that countries other than the United States have used as a means to accumulate assets and as a means of international payment in business deals.

As a result, countries and companies that possess dollars have seen their assets transferred to the United States in the course of the collapse even though they have not done anything. In other words, the United States has put burdens on other countries. And, the economic principle applied in this phenomenon is that deficits are reduced during an inflationary period.

This is why a conspiracy theory emerges. As the situation develops, the conspiracy theory involving the United States has grown. The theory is proven by the fact that the U.S. Federal Reserve Board has assumed the attitude of an onlooker and that the U.S. Undersecretary of Treasury Summers said the dollar's fall poses no problem. It is also proven by the fact that major U.S. media have emphatically reported the dollar's fall is not unfavorable to U.S. businesses.

It is not the time for us to examine to what level the dollar will fall; businesses must map out strategies to adapt to the new order in which the yen and the mark, new key currencies, will share the burden of the dollar.

**Influence of Yen Appreciation on Economy Noted***SK0903013395 Seoul HANGYORE SINMUN in Korean 8 Mar 95 p 5*

[Article by Sin Hyon-man]

[FBIS Translated Text] If the appreciation of the Japanese yen to the U.S. dollar reaches the 93 yen-per-dollar level, which means an appreciation of the yen of about 10 percent, this year, ROK exports are expected to increase by approximately \$2.3 billion. The original export amount forecast for 1995 was \$105.5 billion.

According to a Trade and Industry Ministry analysis released on 7 March of how the appreciation of the yen will affect our economy, imports will increase by \$1.3 billion compared to the original forecast of \$115 billion, thus improving the trade deficit by about \$1 billion. However, the trade deficit with Japan will increase by about \$300 million because while the exports to Japan are expected to increase about \$800 million, imports are expected to increase about \$1.1 billion. The ROK pays for about 50 percent of imports from Japan in yen, adding to our burden on imports from Japan.

On the whole, however, the appreciation of the yen is expected to bring considerable advantage to the price competitiveness of ROK goods, as witnessed in the first half of 1994 when Japanese businesses had to add 82.7 percent of the price-increase factor caused by the appreciation of the yen to goods they exported, without being able to absorb the increase on their own.

However, although the appreciation of the yen will positively affect our exports of such goods as automobiles, semiconductors, and ships, it will be of little help to such goods as electronic appliances, steel, textiles, and footwear. Although steel and nonferrous metals are fiercely competitive with Japanese goods in the international market, exports are not expected to increase because local demand for them is increasing rapidly as a result of a boom in the domestic market.

A considerable additional burden is expected for firms that rely heavily on imports from Japan because imports will increase in proportion to the increase in the price of parts they import and for firms that have to make major



investments in the importation of facilities from Japan due to the rise in the economic activity in the country.

When the yen appreciates by 10 percent, exports will be affected according to the type of business:

**Automobiles:** An additional \$380 million in exports is expected. As for small cars, since we are competitive with Japan and since about 95 percent of the parts for cars are produced locally, further yen appreciation will bring a continuous increase in our exports on the strength of an advantage in the price competitiveness in the United States and Europe without an increase in cost.

**Semiconductors:** An increase of \$530 million in exports is expected. Since we are competing with Japan on an equal footing in direct random access memory [DRAM], if the yen appreciates, the ROK will be in a very advantageous position. The ROK supplies 25 percent and Japan supplies 45 percent of DRAM on the total world market.

**Ship Building:** An increase of \$420 million in exports is expected. We are in fierce competition with Japan, and we have managed to produce from 80 to 90 percent of parts locally, therefore, we do not have to be that concerned about the yen appreciation. An additional appreciation of the yen will significantly increase overseas ship building orders.

**Machinery:** We compete more often with Taiwan than with Japan in the overseas market. Since we rely heavily on imports of parts from Japan, imports, as well as exports, will increase. The maximum amount of increase in exports is expected to be \$130 million.

**Electronic Appliances:** With the intense competition in the field of electric home appliances in the world market, Japanese firms are afraid to increase prices. In addition, the Japanese are increasing the proportion of their production overseas, therefore, the appreciation of the yen may offer little help to ROK goods in increasing price competitiveness. The manufacturers of electronic and electric goods rely heavily on Japan for parts for the goods they export. An overall increase of about \$220 million is expected in exports.

**Steel:** With an increasing demand in the domestic market, the capacity of the steel industry to supply exports is reaching its limit. Therefore, there is little possibility of an increase in exports. The world market is in short supply, increasing the possibility of a hike in price. Therefore, if Japan increases its price because of the appreciation of the yen, international steel prices will further increase, increasing our chances for exports to Southeast Asian markets.

**Textiles, Footwear:** Since we produce few footwear products that compete with Japanese goods and since we have little competitive edge against the developing countries, the appreciation of the yen is expected to bring about little effect.

### Seoul Facing 'Need' To Revise Economic Plan

SK0903080895 Seoul YONHAP in English 0735 GMT 9 Mar 95

[FBIS Transcribed Text] Seoul, March 9 (YONHAP)—With the Japanese yen appreciating toward the 80-yen-per-U.S.-dollar level on world foreign exchange markets, the South Korean Government is facing the need to revise its economic management plan for this year as it was prepared on the assumption that the yen's value would stand at 100 yen per dollar.

Vice Finance and Economy Minister Yi Sok-chae said Thursday the government would focus on anti-inflationary measures in managing the economy, noting that the rising yen has already increased import prices of Japanese goods to the extent of applying inflationary pressure on the economy.

He observed the strong yen would cause Japanese industries to increase their investments in Southeast Asian countries and said the government will strive to attract Japan's high-tech parts and components industries to the country in a bid to reduce imports of the parts and components of machinery and equipment from Japan.

For this purpose, the government will provide high-tech Japanese firms investing in the country with cheap factory sites, such as the sites in Kwangju's Pyongdong Industrial Estate, leased at the world's lowest price of 3,500 won (4 U.S. dollars) per 3.3 square meters, and will take measures to ensure labor peace in foreign-invested industries, he explained.

Another ranking official of the ministry said the government, facing the soaring Japanese currency, is studying a plan to integrate the financial and commodity futures trading systems into a single futures market to open in as early as June.

Noting the U.S. dollar is the only foreign currency traded on the local foreign exchange market, he said trading houses should be encouraged to use the yen and the German mark when settling import and export bills.

To this end, the Japanese and German money should be allowed to trade, along with the U.S. dollar, on the market, he added.

At present, the semi-government Korea financial telecommunication and clearings institute posts only the starting won-dollar exchange rate every weekday on the basis of the previous day's average market price and the won's conversion rates against other major currencies, such as the yen and the mark, on the basis of their exchange rates against the U.S. dollar set in New York, Tokyo and other world financial centers.

### Dailies View International Currency Situation

SK0903124495

[FBIS Editorial Report] The following is a compilation of a report and editorials carried in Seoul vernacular



newspapers on 8 and 9 March on the recent international currency turmoil caused by the U.S. dollar's fall and the Japanese yen's rise.

The pro-government SEOUL SINMUN on 8 March publishes on page 3 a 1,000-word editorial entitled "Let Us Prepare for International Currency Crisis." Noting that "wavering and unrest in international currency markets have been continually deepened," the editorial points out that the dollar's unprecedented, sharp slump and the drastic rise of the yen and the German mark are causing the people's concern over a great financial panic, and that the United States, however, gives an impression that it assumed the attitude of an onlooker in the face of the current situation in an attempt to expand its exports and to improve its trade imbalance with Japan.

The editorial comments that countries such as the ROK, which are accelerating the liberalization of capital transactions including a reform of their foreign currency system, are forced to remain defenseless against such an external shock and that the development of complex shock-absorbing devices are urgently needed. The editorial then calls on the government to make utmost efforts for harmonious policies on currency, interest rates, and foreign currency, in order to minimize the impact of the international financial unrest, and to intensify an internal control and supervisory system in a bid to prevent domestic money markets, including the stock market, from being disturbed. The editorial emphasizes that the United States, Japan, and other relevant countries should convene talks of the seven advanced Western countries (G-7) at an early date, and make joint efforts for the stability in the exchange rate to resolve the economic turmoil caused by the sharp rise and drastic fall of advanced nations' currencies, as well as the problems on trade discord.

The conservative CHOSON ILBO on 9 March publishes on page 3 a 1,100-word editorial entitled "The Dollar Is Plunging." The editorial notes that the dollar's endless fall is causing a great shock and impact not only in international financial markets but also in stock and international trade and investment markets and that some hasty observers even declared that the dollar value can no longer hold its powerful position as the world's principal currency, expressing the view that the collapse of the dollar could be linked to a financial panic and confusion in stock markets. The editorial points out that such a pessimistic view was prompted by the fact that the international exchange rate and financial markets structure can no longer guarantee security and that international cooperative system failed to work a long time ago.

The editorial comments that as long as the U.S. financial and trade deficits are not improved within a reasonable period of time and unless U.S. money authorities are ready to sacrifice the boosting of business activities to prevent the dollar from falling, the dollar's fall will continue. As a result, the dollar's weakness and mark's strength will possibly form a main basis in international

currency markets in the foreseeable future. By analyzing possible results of this situation, the editorial points out that "the current international financial markets are being dominated by excessive, speculative money" and urges central banks and governments in each nation to work out a joint cooperative system at an early date in order to prevent them from being dragged into the speculators' domination, and not necessarily to prevent the dollar's fall. The editorial says that in the event that the rise of the yen continues, we will have to import more capital goods and intermediate materials and to suffer the pressure on increasing the cost. For this, the government and private organizations should work out measures to cope with this foreign currency situation in many ways.

The moderate HANGUK ILBO on 9 March publishes on page 3 reporter Yi Song-chol's article entitled "The Meaning and Prospect of the Dollar's Fall." The article notes that prompted by the dollar's slump, "the three-sphere system" is anticipated in the world's currency order, noting that the world is dashing toward "the three-sphere structure" dominated by the dollar, yen, and mark.

Reviewing the process of the dollar's fall in the past, including its breaking off from the 100-yen era in July 1994, the article points out that the current slump of the dollar indicates that the dollar value shakes even with a minor external shock, that the dropped dollar value will not recover easily, and that "the United States declared the end of its hegemony, and will not make efforts to the end to maintain the dollar's high value by sacrificing its own domestic economy." Analyzing some factors causing the current dollar slump, the article notes that "the current situation was entirely prompted by factors outside the United States" and that the "dollar's resisting power to a shock" fell to such an extent that the dollar value wavers even by outside unrest. Noting that now is the time when the falling dollar and rising yen and mark are crossing each other, the article refers to observation of a foreign currency expert that "the future global currency order will be maintained under the three-bloc system," namely the dollar bloc covering the North American Free Trade Agreement by Latin American states, the mark bloc covering the European Union, and the yen bloc covering Asia. Stating that the process of Asia's becoming the yen bloc has already begun, and that China and the "four other dragons" in Asia can hardly control this trend, the article points out that the Southeast Asian markets have already been dominated by Japanese goods and a considerable number of Japanese enterprises even moved their production bases to Southeast Asian countries. The article concludes by calling on the relevant authorities and organizations to accelerate preparations to cope with the new three-sphere currency system and with the yen's offensive, which the ROK cannot evade in view of regional factors.



### **Process Eased for Foreigners To Start Factories**

*SK0903014795 Seoul THE KOREA TIMES in English  
9 Mar 95 p 9*

[By staff reporter Yi Chang-sop]

[FBIS Transcribed Text] From next month, it will take less than 45 days for foreigners to complete all procedures to build factories in Korea, a sharp cut from the current 24-32 months wait.

The government may renew up to 20 days just once to review a foreign application to construct factories and unless the government rejects the application during the period, the application will be regarded as automatically approved.

The Ministry of Finance and Economy yesterday rewrote the enforcement decrees and rules to the Foreign Capital Inducement Act, which will go into effect in April.

Under the revised decrees and rules, the government is legally mandated to process 15 types of "minor applications" by foreign businessmen within 15 days. It may renew the processing period for up to 10 days and if the deadline passes with no rejection, the application will be regarded as automatically approved, it said.

Early next month, the One-Stop Service Center for Foreign Investors will be relocated from the ministry building in Kwachon, Kyonggi-to, to the head office of the Industrial Bank of Korea in downtown Seoul.

The center will be linked to the regional one-stop service centers and foreign investment service centers at 47 Korean diplomatic missions overseas, it said.

Foreigners will be able to rent 200,000 pyong of land (one pyong equals 3.3 square meters) in the Pyongdong Industrial Complex in southwestern Kwangju at a cost of 3,500 won per pyong a year. It is believed to be the cheapest in the world because the complex was constructed with government funds, said Chong Tok-ku, officer in charge of promoting foreign direct investment at the ministry.

Foreign firms, whether they are engaged in light or heavy industries, will be housed in the complex. But in the central Chonan industrial complex only foreign hi-tech firms will be entitled to be located from June next year, it said.

Foreigners will be able to have their investment applications processed within three hours from both local and foreign banks here. Even if they must get permission from the Ministry of Finance and Economy, the application will be processed within five days, according to the new regulations.

Currently, 96 percent of all foreign investment applications need approval from banks and the remaining 4 percent from the government.

It said foreign direct investment promotion offices will set in operation from next month and they will closely coordinate with the One-Stop Service Center in Seoul and the Korean diplomatic missions overseas.

Foreign hi-tech firms will be able to enjoy tax holidays for up to five years after they generate profit in their Korean operations, with an additional income and corporate tax reduction for three years thereafter, it said. They will be able to lease up to 20 years state-held land for building their factories and yearly rental fee will be 1 percent of the market value of the estate, it said. The lease will definitely be renewable, it said.

Following are other measures under which foreign businessmen will be able to enjoy, starting in April, from the revised enforcement decrees.

- Foreign high-tech firms will no longer need to be reviewed by the government-run Foreign Screening Committee when they are eligible for tax deduction and exemption.
- Foreigners will need only to report their sales and reduction of stocks to the government.
- Foreign-invested enterprises will only need to report to the customs office the usage and disposal of equipment they import.
- Foreigners can sell their shares in existing firms in Korea and use the proceeds for investment in other projects.
- Foreign high-tech firms will be subject to corporate and income back taxes for the past five years following the cancellation of their licenses here. Currently, they are subject to back taxes without limit.
- Customs duties will be levied over the past three years from the time when foreign high-tech firms are stripped of licenses here, down from the current five-year period.
- Foreign high-tech firms will be able to construct their facilities in the Seoul metropolitan area and its satellite cities.
- The Foreign Project Screening Committee will no longer check foreigners' contracts on imports of loans.
- The relevant minister will no longer review or check capital equipment foreign firms import by using foreign capital.

### **Trade Group Says Nation Biggest Chip Supplier**

*SK0903034695 Seoul YONHAP in English 0253 GMT 9 Mar 95*

[FBIS Transcribed Text] Seoul, March 9 (YONHAP)—South Korea has emerged as the world's largest supplier of dynamic random access memory (DRAM) chips, with its three chip majors accounting for 22.3 percent of the



world market last year, according to the Korea Trade Promotion Corp. (KOTRA).

Data Quest, a leading U.S. survey firm of the semiconductor market, recently announced the result of its recent market survey revealing South Korea's three big chip makers—Samsung, LG and Hyundai—took up a combined share of 22.3 percent in the 100-billion-dollar world DRAM market last year to make their country the world's largest chip supplier, KOTRA said Thursday, citing a dispatch from its Washington office.

Samsung Electronics took up a 12.7-percent market share to retain its position as the world's largest chip maker for the second consecutive year, while LG Electronics boosted its ranking from 11th in 1993 to eighth last year with a 4.8-percent share of the market. Hyundai Electronics also represented 4.8 percent of the market to make a one-step promotion from 10th to ninth.

To maintain their leading positions in the market, the three South Korean majors are busy expanding their operations to the United States and Europe, the U.S. firm was quoted as saying.

Samsung recently acquired a 40-percent stake in a personal computer firm in California at 378 million dollars and announced last month a plan to build a 1-billion-dollar semiconductor plant in the United States.

LG is also studying a plan to construct a chip plant in San Jose, California, while Hyundai is considering promoting a semiconductor joint venture on the Pacific U.S. coast with an American subsidiary in Oregon of Japan's Fujitsu.

The South Korean chip majors' growth will continue in the years to come as they set aside larger sales profits for reinvestment than their American and Japanese rivals do, the U.S. survey firm was further quoted as saying.

### **Domestic Firms Expand in Cellular Phone Market**

SK0903012895 Seoul THE KOREA HERALD in English 9 Mar 95 p 8

[By staff reporter Yu Chong-mo]

[FBIS Transcribed Text] Domestic cellular-phone makers are aggressively taking on U.S. telecom giant Motorola Electronics & Communications Inc.

The nation's cellular terminal market had been monopolized by Motorola and a few other foreign companies up to the early 1990s. But Samsung Electronics Co. (SEC) and other domestic electronics makers have been sharply eroding Motorola's market share since late last year. Motorola feels seriously threatened as its market share has dropped from a peak of 80 percent in the 1980s to less than 50 percent recently.

According to the latest figures released by Korea Mobile Telecom (KMT) yesterday, a total of 41,885 cellular

phones were sold here last month. Motorola accounted for 20,669 units of the 41,885, or about 49.2 percent, while Samsung-made cellular terminals was tallied at 39.8 percent, or 16,671 units. The rest of the cellular-terminal market was shared by LG Electronics (864 units), Hyundai Electronics Industries Co. (711 units), Nokia (463 units), Raltima (375 units), and Japanese-made Oki phones (183 units).

KMT's market-share statistics are said to be relatively accurate as new cellular subscribers are obliged to register the brand of their hand-held phones.

SEC's 40 percent market share is a far cry from its 10-percent rate in late 1993. Nevertheless, SEC doesn't seem satisfied with the rate and is moving to step up the offensive. SEC has set an ambitious plan to overtake Motorola by the year's end to secure the lead position in the market share. SEC is to spend about 5 billion won in advertising during the rest of this year.

As the competition to grab a bigger share of the cellular-phone market escalates, SEC and Motorola are engaged in a kind of psychological warfare. An SEC spokesman insisted in an interview with THE KOREA HERALD that Samsung sold 25,000 "Anycall" cellular phones last month, acquiring a 42-percent market share. Motorola claimed that it secured a 55-percent market share in February by selling about 40,000 units of the "Tac-2800" model.

The number of cellular phone users has increased by more than 100 percent annually since the service was launched in South Korea in 1984. The cellular population, which numbered 2,600 in 1984 and 470,000 in 1993, had already topped 1 million at the end of last year. Industry analysts predict that 900,000 to 1 million people will newly subscribe to the cellular phone service by the year's end. The cellular terminal market is also estimated to show a two-fold increase to 800 billion won this year from 400 billion won in 1994. The market size is to exceed 1 trillion won next year, they say.

The leader's position held by Motorola and SEC could be endangered in the near future as half a dozen domestic electronics companies are desperately seeking to tap the fast-growing cellular-terminal market. Hyundai and LG, which have recently introduced their own models, Citiman and Hwatong, respectively, plan to further strengthen public relations and other marketing activities this year. Naewae Semiconductor Co. and Maxon Electronics Co. are also moving to make inroads into the cellular sector.

Threatened by the growing challenge from new competitors, Motorola and SEC plan to market new advanced cellular models this month and in the second half of this year, respectively.

Meanwhile, domestic and foreign makers are also exerting desperate efforts to develop digital cellular



phones as the digital CDMA cellular switching technology is scheduled to be introduced here next year.

The cellular phones manufactured by domestic and foreign makers are being sold at a similar price level. Tac-2800, Anycall, Citiman, and Hwatong retail for 600,000 won to 650,000 won.

#### **President Seeks Security Council Seat Support**

*MS0903113395 London THE TIMES in English 9 Mar 94 p 11*

[Report by Michael Binyon: "Korean leader presses Major for backing to win Security Council seat"]

[FBIS Transcribed Text] South Korea's President, Kim Yong-sam, arrived in London yesterday at the start of a high profile visit that is expected to boost booming trade and confirm Britain as a leading recipient of Korean industrial investment.

At a Downing Street meeting he sought John Major's support for Korea's campaign to win a two-year term on the United Nations Security Council, saying this would give Seoul a chance to show its gratitude for the military help it received from the United Nations during the 1950-53 Korean War.

Mr Major said that Britain would give "careful consideration" to President Kim's request. To back up his campaign to win the nomination against Sri Lanka, the other contender, the Korean leader said that he was fully prepared to deploy troops for UN peacekeeping operations. President Kim arrived yesterday from Bonn, where he also sought the backing of the German Government, and will continue his lobbying in Copenhagen, where he is going this weekend to attend the UN summit on social development.

Mr Major and President Kim also discussed the negotiations to remove the nuclear threat by North Korea, which is to receive new nuclear reactors from a consortium of America, Japan and South Korea in return for a dismantling of its energy programme, seen as a way of producing nuclear bombs. Mr Major promised to "urge Pyongyang to comply fully with the agreement", according to the President's spokesman.

The Government is making much of this visit as Britain has won 30 per cent of South Korea's investment and bilateral trade is now worth 2 billion pounds. However, the Koreans are chagrined that this is not a state visit, and to compensate Britain is making much of the ceremonial aspects. Today the Lord Mayor of London will give a luncheon at which guests will wear morning dress. Yesterday Mrs Kim was received by the Queen at Buckingham Palace.

#### **Peru Supports Kim Chol-su WTO Head Candidacy**

*SK0903014095 Seoul THE KOREA TIMES in English 9 Mar 95 p 2*

[FBIS Transcribed Text] Peru will support Korean candidate Kim Chol-su's campaign to win the director

generalship of the World Trade Organization (WTO), becoming the first country to switch support from the Mexican dropout to the Korean candidate.

If the United States and other South and North American countries decide to follow suit, it would dramatically boost Kim's chance to assume the leadership of the world trade body.

"Peru supports Korean candidate Kim Chol-su in his bid to become the WTO's director general," Peruvian Ambassador Alfredo Ramos told THE KOREA TIMES.

So far, no countries from North and South America, which supported former Mexican President Carlos Salinas de Gortari, have officially declared their positions since Salinas dropped out of the race early this month.

A Foreign Ministry official said that it would take time before the countries on the American continent decide their positions in the two-man race between Korean candidate Kim and Italian candidate Renato Ruggiero.

Peru's support of the Korean candidate reflects close relations between the two countries. At the same time, Peru has wanted to attract South Korean companies' investment in its development of oil and other natural resources.

In a straw vote conducted before Salinas' dropout, the Korean candidate was ranked second by a large margin after the Italian candidate.

As all decision-making process at the GATT (General Agreement on Tariffs and Trade) is based on consensus, officials here forecast that time-consuming process will be ahead before a candidate is declared the winner.

The shift in positions of the United States and other American countries will be decisive in breaking the current deadlock over the selection of the WTO director general. Kim and Ruggiero have won unrivalled support from Asia and Europe respectively.

In a core-group meeting held in Geneva March 3, participating countries decided to make continuous efforts to reach a consensus, the ministry official said.

The European Union has opposed the extension of the term of caretaker WTO chief Peter Sutherland because it believes that its candidate Ruggiero took the upper hand in the race, he said.

However, the United States is still reluctant to recognize the EU candidate even though it has no clear alternative, he added.

#### **Foreigners With Forged Passports Increasing**

*SK0903101495 Seoul YONHAP in English 0724 GMT 9 Mar 95*

[FBIS Transcribed Text] Seoul, March 9 (YONHAP)—The number of those foreigners who tried to enter or



leave the country with forged passports has rapidly increased, the Immigration Office at Kimpo International Airport said Thursday.

The office said that those foreigners who were found to have faked or falsified passports and were discovered at the airport reached 376 in 1994, up 119 from 1993.

The number of the forged passports confiscated at the airport in the first two months of this year was 53, predicting that the number would not decrease this year, either.

Chinese, many of whom were Korean-Chinese, were the greatest offenders, with 123 cases, followed by Filipinos with 72, Pakistanis with 37, Bangladeshis with 30 and Sri Lankans with 25.

An official at the Immigration Office said, "Because it is difficult for Southeast Asians to enter and work in this country with normal passports, most of them seem to use faked or falsified passports to come and illegally obtain jobs here."

#### **Ministry Replaces KOICA for Emigration Forms**

*SK0803090295 Seoul YONHAP in English 0855 GMT 8 Mar 95*

[FBIS Transcribed Text] Seoul, March 8 (YONHAP)—Those who wish to emigrate to a foreign country must file their appropriate applications with the Ministry of Foreign Affairs from Monday [13 March], a ministry spokesman said Wednesday.

The ministry decided to take over the paperwork from the Korea International Cooperation Agency (KOICA) to lessen the workload of the agency, which has been preoccupied with works related to the Official Development Assistance (ODA), said the spokesman.

According to the ministry, approximately 15,000 to 16,000 people are moving to foreign countries.

#### **Speakers Detention Adjourns Assembly Session**

*SK0903112695 Seoul YONHAP in English 0840 GMT 9 Mar 95*

[FBIS Transcribed Text] Seoul, March 9 (YONHAP)—The ruling Democratic Liberal Party (DLP) failed to get the 173rd special session of the National Assembly opened as scheduled Thursday, as the opposition Democratic Party (DP) continued to deter the speaker and vice speaker from attending it.

The first day of the special session was scheduled to begin at 2:00 PM but was automatically adjourned, as there were no legally authorized official to declare the opening of the session.

Occupying the official residences of Speaker Rep. Hwang Nak-chu and Vice Speaker Rep. Yi Han-tong, both from the DLP, DP lawmakers would not allow them to leave for the assembly.

The ruling DLP summoned the special session to pass their draft revision to the integrated election law, designed to prohibit political parties from nominating candidates for the local elections of the basic administrative units slated for June 27 this year.

The DP lawmakers, worried that the ruling party will railroad the revision unilaterally at the National Assembly, have remained at the residences of the speaker and vice speaker to deter them from going to the National Assembly.

Speaker Hwang tried to leave his residence to attend the session twice, only to fail, as the DP lawmakers restrained him from leaving there.

One of the speaker's secretaries was injured in the process of the attempt.

Meanwhile, floor leaders of the ruling and opposition parties met at the National Assembly to discuss ways to break the political deadlock, but failed to narrow their differences.



## Burma

### SLORC Chairman Leaves for Vietnam Visit

*BK0903072495 Rangoon Radio Myanmar in Burmese  
0430 GMT 9 Mar 95*

[FBIS Translated Text] Senior General Than Shwe, chairman of the State Law and Order Restoration Council [SLORC] and prime minister of the Union of Myanmar [Burma], left Yangon [Rangoon] at 0745 this morning in a special plane to pay a goodwill visit to the Socialist Republic of Vietnam at the invitation of Mr. Vo Van Kiet, prime minister of the SRV. Sr. Gen. Than Shwe is accompanied by his wife, Daw Kyaing Kyaing.

Sr. Gen. Than Shwe and his wife, Daw Kyaing Kyaing, were seen off at the airport by General Maung Aye, deputy chairman of the SLORC; Vice Admiral Maung Maung Khin and Lieutenant General Tin Tun, deputy prime ministers and members of the SLORC; Lt. Gen. Tin U, secretary-2 of the SLORC; members of the SLORC and cabinet ministers; deputy minister of foreign affairs; senior military officials and their wives; military and civilian officials; ambassadors led by Dr. Giorgio Bosco, acting dean of the Diplomatic Corps and Italian ambassador to Myanmar, and charges d'affaires and their wives; and Mr. (Tran Trong Hue), Vietnamese charge d'affaires and his wife.

SLORC Chairman and Prime Minister Sen. Gen. Than Shwe and his wife, Daw Kyaing Kyaing are accompanied by Lt. Gen. Khin Nyunt, SLORC secretary-1 and his wife, Dr. Daw Khin Win Shwe; Lt. Gen. Chit Shwe, minister of forests; Lt. Gen. Thein Win, transport minister and commander in chief of the Air Force; Major General Soe Myint, member of the SLORC; Brigadier General Abel, minister of national planning and economic development; U Ohn Gyaw, foreign minister, and his wife, Daw Khin Kyi; and responsible officials from the Office of the SLORC, the Ministry of Defense, and the Ministry of Foreign Affairs.

### General Tin U Greets DKBO, DKBA Leaders

*BK0803031995 Rangoon Radio Myanmar in Burmese  
1330 GMT 7 Mar 95*

[FBIS Translated Text] Lieutenant General Tin U, secretary-2 of the State Law and Order Restoration Council [SLORC], and Lt. Gen. Mya Thinn, minister of home affairs; Lt. Gen. Myint Aung, minister of agriculture; Lt. Gen. Tun Kyi, minister of trade; Lt. Gen. Maung Thint, minister of progress of border areas and national races and development affairs; Lt. Gen. Maung Hla, military appointments general; accompanied by Brigadier General Tin Ngwe, air force chief of staff; Colonel Than Zin, deputy minister of health; U Aung Phone, deputy minister of forestry affairs; U Thein Sein, deputy minister of information; U Aung San, deputy minister of construction; Col. Thein Sein, colonel staff officer, and responsible personnel left Yangon [Rangoon] this morning by helicopter and arrived at Pa-an at 1100.

They were welcomed at Pa-an by the chairman of Mon State Law and Order Restoration Council and responsible personnel. The secretary-2 and ministers next held talks with responsible personnel on regional peace and stability, regional development, and improvement in transportation and communication matters. The secretary-2 and ministers next proceeded to Myainggyingu Village in Hlaingbwe Township at 1330 by helicopters and were welcomed by Brig. Gen. Tin Htut, commander of No. 33 Light Infantry Division, and responsible personnel. They then cordially greeted U Tha Htoo Kyaw, chairman of the Democratic Karen Buddhist Organization, DKBO; U Shwe Thein, vice chairman, U Saw Thurein, secretary, and members, Major General Ywar Hay, commander in chief of the Democratic Karen Buddhist Army, DKBA; Maj. Gen. Kyaw Thaung, deputy commander in chief; Lieutenant Pyar Pyar, brigade commander; Lt. Sit Aye, adjutant general, and responsible personnel.

The secretary-2, ministers, and senior military officials next went to Myainggyingu Bayme Tawya Nan-U monastery and paid homage to Myainggyingu Abbot U Thuzana.

### Myainggyingu Abbot Calls for Peace, Stability

*BK0903065495 Rangoon TV Myanmar Network in Burmese 1330 GMT 7 Mar 95*

[FBIS Translated Excerpt] [Passage omitted] The secretary-2 [Lieutenant General Tin U], ministers, deputy ministers, and responsible officials explained the development plan for Myainggyingu village and its environs and short- and long-term relief measures for returning families.

The Myainggyingu abbot, U Thuzana, said that it is necessary for the Karen State to become peaceful and developed, and that peace and stability is crucial for development. Therefore, he said, more efforts should be made to ensure that more peace is achieved. He said it is meaningless to flee to another country as a refugee when you have your own country and that he did not even want to hear the word, refugee. He said that the Myainggyingu region is a sanctuary for vegetarians and that he would endeavor to propagate Buddhism. He said it would be necessary to render assistance to returning families.

Secretary-2 Lt. Gen. Tin U said necessary assistance would be rendered to ensure the peaceful propagation of religion in accordance with the wishes of the abbot. He said short- and long-term measures would be taken to meet the need for the basic necessities of life for the returning families who fled from border villages to the country on the other side [Thailand] due to KNU [Karen National Union] domination and intimidation and those returning from KNU's so-called refugee camps. He said that as national and regional development endeavors can be only undertaken when there is local peace and stability, we would strive to bring about peace and stability in the Karen State.



The ministers and Lt. Gen. Maung Hla, military appointments general, also explained the development and peace plans for the Myainggyinyu area. [passage omitted on presentation of gifts and departure]

#### **Minister on Revival of National Economy**

*BK0903072095 Jakarta SUARA PEMBARUAN in Indonesian 24 Feb 95 p 1*

[FBIS Translated Text] Rangoon, 24 Feb—David O. Abel, minister of national planning and economic development, has said that one priority of the current national development is to allow the people to revive the economy, because such an opportunity did not exist at all in the past.

During a special interview with PEMBARUAN reporter Kristanto Hartadi in Rangoon on Wednesday evening, Brigadier General Abel, who is also a member of the State Law and Order Restoration Council [SLORC], a military junta, explained that the people had no business opportunities under British colonial rule and played no role after Burma became independent, because the country was beset with rebellions and a centralized planning system was imposed from 1964 to 1988.

"Under the current market economic system, we want the private sector and the people to take part in the process. This is the direction of our policy," he said.

Abel also explained three other priorities—developing the market economy, in which the private sector will play a dominant role; inviting foreign investors with their expertise, technology, and models to tap natural and human resources in Burma; and developing all productive sectors in the economy with agriculture and other sectors, which have an added value, as the foundation.

#### **From the Private Sector**

At present, 76 percent of the Burmese GDP is derived from the private sector, 21 percent from industries still controlled by the government, and 3 percent from cooperatives.

"The industries that contribute 21 percent to the GDP will also be privatized as small industries, transport companies, factories, and entertainment places, totaling 1,760 bodies," Abel said.

There were virtually no foreign investors in Burma in 1988. "Zero [preceding word in English]," Abel said. But we now have 119 direct foreign investors from 17 countries and their total investment has amounted to U.S. \$2.38 billion. Another U.S. \$1.2 billion is expected to be realized and the total amount is expected to reach U.S. \$5 billion," David O. Abel said. [quotation marks as published]

The Burmese minister of national planning and economic development also said that the kyat could be devalued within a year if the IMF and the World Bank

was willing to give aid to the country. Currently, there are two exchange rates in Burma—the government exchange rate (U.S. \$1 = 6 kyat) and the market exchange rate (U.S. \$1 = 105 kyat). The two exchange rates have often posed difficulties for business circles here. The kyat cannot be devalued now because the Rangoon government has no adequate foreign exchange reserves to neutralize the impact of a devaluation.

### **Brunei, Malaysia & Singapore**

#### **Malaysia**

#### **Radio Criticizes FORTUNE 500 Projection**

*BK0803142695 Kuala Lumpur Voice of Malaysia in English 0810 GMT 8 Mar 95*

[Station commentary]

[FBIS Transcribed Text] The foreign media are active again, relentless in their efforts to discredit Malaysia through baseless allegations. This time, the FORTUNE 500, a U.S.-based business publication has even gone as far to predict the country's currency faces risks to the extent of being depreciated. On the contrary, the Malaysian ringgit has never been stronger. Like many stable currencies, it draws its strength from the strong fundamentals of the economy. Yet, these glaring facts are conveniently overlooked by this so-called economic forecaster. Why they do bad is difficult to comprehend. Of course, analysts always make projections, estimates, and forecasts on economic growth, inflation, and currencies. But it is always important to base one's predictions on available facts. It is nothing more than irresponsible journalism if reports are baseless and do not reflect the actual situation.

Prime Minister Datuk Sri Dr. Mahathir Mohamed just honed the point when he said they were trying to be great astrologers. It couldn't have been a more apt description, especially when such predictions are no more than segments of once biased imaginations. Malaysia's strong economic situation cannot be compared to the crisis that has hit Mexico. If that is the case, then why are foreign investors flocking to Malaysia even when it is no longer a cheap investment destination? Many foreign investors in Malaysia give top marks to the economic and political stability as driving forces attracting them here. Along the strong growth is the fundamentally sound ringgit. [sentence as heard] Over the years, the ringgit has actually appreciated against major currencies such as the German mark and British pound. At one time, one pound was equal to 10 Malaysian ringgit, but now one pound is only about 4.1 Malaysian ringgit, projecting the growing strength of the ringgit.

If such foreign publications were credit worthy, where was their foresight when the Mexican currency collapsed? They, too, [words indistinct] when the British pound collapsed in 1992. Even now the U.S. dollar has



hit a post-war low against European currencies. Yet, the ringgit has steadied ground. Adverse reports over Malaysia's economy are nothing new. They have continuously been churned out by many Western publications with ulterior motives. It is highly possible that many are jealous of Malaysia's economic and political success. It is better for FORTUNE 500 to look to writing reports based on facts rather than planted objectives.

Malaysia welcomes criticism and much so if it is constructive, but it is not going to be idle in the face of unfounded allegations by foreign media publications, which having run out of the substance have devoted to getter journalism. In such a way, reporting will do more harm than good, and sensationalization should be avoided. If all media publications want to be critical, they should be critical of all, not just selected countries, especially from the developing world. If they cannot do that, the least they can do is to be fair to all.

### Singapore

#### Pakistan's Bhutto Makes 3-Day Official Visit

##### Seeks Stronger Bilateral Ties

BK0803141595 Singapore THE STRAITS TIMES in English 7 Mar 95 p 3

[Report by Derwin Pereira]

[FBIS Transcribed Text] Singapore, with its advanced economy and infrastructure, is best placed to invest in Pakistan, according to Pakistani Prime Minister Benazir Bhutto.

In an interview with THE STRAITS TIMES on the eve of her visit to the republic, she said she would be inviting Singapore businessmen to take part in her country's economic projects by setting up new enterprises or relocating their labour-intensive industries in Pakistan.

"I am confident that once movement towards this direction starts, friendly relations that exists between our two countries will be further strengthened," said Ms. Bhutto who arrives today for a three-day official visit at the invitation of Prime Minister Goh Chok Tong.

During her stay here, she will meet President Ong Teng Cheong and hold talks with Mr. Goh, who will host a dinner for her. Senior Minister Lee Kuan Yew and Deputy Prime Minister Lee Hsien Loong will call on her separately.

Ms. Bhutto, 41, responding to STRAITS TIMES questions said Pakistan was taking steps to develop its infrastructure to attract foreign investment for power generation projects and the telecommunication, precision engineering, petroleum, refining and electronics industries.

Singapore companies which have a few investments in Pakistan, mainly in the services sector, could take part in

its projects, she said. Both countries will sign an investment guarantee agreement during her stay here.

She said that besides highlighting investment opportunities in Pakistan, she would explain her country's economic policies to the republic's leaders and businessmen.

"We have to a certain extent lagged behind in our development efforts. We have realised some of the fundamental flaws in our policies which we have now corrected."

The Oxford-educated Pakistani leader began economic reforms immediately after her election as the country's premier in October 1993 for a five-year term.

The measures included slashing government spending and encouraging greater privatisation and deregulation.

"The previous governments went in for short-term and quick-fix solutions," she said. "Consequently, essential sectors of the economy, where long-term investments were required, were neglected."

She said that as a result of economic reform, "a lot of ground has been covered." Pakistan had registered better reserves, a stable currency, increased exports, and foreign investments.

Islamabad had also attracted S [Singapore] \$24 billion worth of investments from the U.S., Hong Kong, and South Korea in energy-related projects in the last six months.

On bilateral trade with Singapore, she noted that the downward trend of the early 90's had been reversed. Pakistan is now Singapore's 40th trading partner, with total trade last year amounting to S \$574.1 million.

She said that Islamabad was keen on Singapore importing some of its non-traditional items. The republic's imports from Pakistan include textile yarn thread, leather, cotton, and synthetic fabrics, raw cotton, clothing accessories, and dried salted and smoked fish.

Singapore's exports to Pakistan grew by 11.4 percent last year. Major export items are synthetic fabrics, medicinal products, computers, disinfectants, and crude rubber.

She suggested that there should be greater exchange of businessmen from both countries.

Pakistan's Board of Investments is also expected to organise a business seminar later this year to inform Singapore businessmen of investment opportunities in Pakistan.

Turning to Pakistan's links with Southeast Asia, Ms. Bhutto said Islamabad was interested in developing bilateral relations with all countries in the region.

She added that her visit to the Philippines last month and now Singapore was "a manifestation of this desire."



To remain engaged in the region, she said that Pakistan was interested in becoming a member of the Asia-Pacific Economic Cooperation forum and holding full dialogue status with ASEAN.

She said: "We have watched with great admiration the rapid economic and social transformation in Southeast Asia. Pakistan will develop relations with this region which is the most dynamic part of the Asia-Pacific."

### **Holds Talks With Goh**

*BK0803142895 Islamabad PTV Television Network in English 1300 GMT 8 Mar 95*

[FBIS Transcribed Text] Prime Minister Benazir Bhutto has held wide ranging talks with prime minister of Singapore. Bilateral relations and regional situation were reviewed during the meeting. The prime minister has said during the talks that Pakistan has taken its conscious decision that we must start looking toward the East. She all the economic growth was taking place in Asian countries like China, Japan, Singapore, and Malaysia with whom we must build strong economic links. The prime minister also gave an overview of Pakistan's perception on the Kashmir problem, friendship with China, relations with India, and development of multilateral relations with the United States.

The Singapore side appreciated Pakistan's view point and observed that Pakistan could be an important member of the development activities taking place in the region. PTV correspondent, Ziauddin Bhutt, reports that Singapore has given encouraging signs to help Pakistan's economic programs.

Prime Minister Benazir Bhutto and Prime Minister Goh Chok Tong also had a separate meeting at the Istana [Palace]. They exchanged views on matters of common interest and economic cooperation and expansion in trade ties between the two countries.

### **Signs Investment Guarantee Accord**

*BK0803121695 Singapore Radio Corporation of Singapore in English 1100 GMT 8 Mar 95*

[FBIS Transcribed Text] Prime Minister Goh Chok Tong and his Pakistani counterpart Benazir Bhutto today witnessed the signing of an investment guarantee agreement between Singapore and Pakistan. Under the accord, Singapore Trade and Industry Ministry said most-favored-nation treatment will be accorded to all investments with Pakistan. The ministry said the agreement is for 15 years and will continue thereafter unless terminated by Singapore or Pakistan.

During her discussion with Prime Minister Goh Chok Tong, Ms Bhutto suggested the setting up of a Pakistan business advisory committee. The aim is to further enhance interaction between the two countries. She added that Pakistan's chairman of the National Highway Authority had signed a memorandum of understanding

for a project in Karachi worth some U.S. \$190 million. Another memorandum for U.S.\$300-million project for the Karachi port has also been signed. An MFA [Ministry of Foreign Affairs] spokesman said Prime Minister Goh and Prime Minister Bhutto held warm and friendly talks on regional and bilateral issues. The Pakistani leader also stressed that Pakistan had begun to look eastward and look forward to closer cooperation with Singapore and other East Asian economies. She also offered to step up cooperation in other fields, including defense.

Ms. Bhutto had also called on Singapore private sector to take part in her country's development. Addressing a luncheon organized by the Singapore International Chamber of Commerce, she said one immediate area was power transmission. Singapore's expertise is also sought in Pakistan port and shipping sector. Ms. Bhutto said Pakistan believes the hope of economic prosperity in less developed countries lies in their ability to attract foreign investments. To achieve this, Prime Minister Bhutto said her country had focussed attention on creating an economic environment that inspires business confidence.

### **Criticizes 'Muslim Militants'**

*BK0803101295 Hong Kong AFP in English 0923 GMT 8 Mar 95*

[FBIS Transcribed Text] SINGAPORE, March 8 (AFP)—Pakistan Prime Minister Benazir Bhutto on Wednesday slammed Muslim militants for giving Islam a bad name, saying her country would be a voice for moderation in the Islamic world.

Bhutto did not directly refer to riots in Karachi pitting the minority Shiite sect against the majority Sunnis or the shooting there Wednesday of two US diplomats. She was led away by aides when asked to comment on the shootings. "Not now," a senior Pakistani official told reporters.

But she said that "every society has a handful of extremists although they don't reflect society at large."

Bhutto, on a three-day official visit, said there was a serious misconception in many parts of the world about the true message of Islam.

"This is a message of harmony, tolerance and brotherhood," she said.

Bhutto said militancy would not give Muslim nations any influence internationally.

"If you are seeking influence or clout in the new world, that influence and that clout...can only come through market opportunities," she said, adding that militancy in Algeria was destroying the Algerian market.

Earlier, declaring her country poised for economic takeoff, Bhutto invited businesses here to invest in energy and other major projects in her country.



"We are offering a package of an estimated five billion dollars in projects in power transmission, oil pipelines, oil terminals and dedicated railway tracks," Bhutto told business executives at a luncheon here.

She also invited businesses here to invest in the upgrading of two ports in Karachi and the construction of a deep sea port at Gawadar in Balochistan.

The Pakistani prime minister said her country had lifted earlier limits on foreign ownership of equity, adding that foreigners could own 100 percent of equity in any venture.

Bhutto was earlier Wednesday accorded a ceremonial welcome at the Istana, or government house, before talks with Prime Minister Goh Chok Tong. "These are very attractive propositions and the government is willing to encourage and assist the private sector to participate in these projects," she said.

Bhutto and Goh also witnessed the signing of a bilateral investment guarantee agreement after their talks.

The agreement allows the exchange of most favoured nation treatment, compensation should nationalisation take place and provides for repatriation of capital and profits on a non-discriminatory basis.

#### **Condemns Killing of U.S. Diplomats**

*BK0903121595 Singapore Radio Corporation of Singapore in English 1100 GMT 9 Mar 95*

[FBIS Transcribed Excerpt] [passage omitted on foreign news of other countries] And in a statement issued from her secretariat, Ms. Bhutto condemned the killing of two U.S. Consulate staff in Karachi yesterday. The two officials were killed when unidentified gunmen opened fire on the van carrying them. A third man was wounded.

The statement said the government would do everything possible to punish the culprit. Two special police teams have been set up to work on the case. [passage omitted on President Clinton's reaction]

#### **Bhutto Confident on Foreign Investments**

*BK0903115295 Hong Kong AFP in English 1114 GMT 9 Mar 95*

[FBIS Transcribed Text] SINGAPORE, March 9 (AFP)—Pakistani Prime Minister Benazir Bhutto expressed concern here Thursday over the escalation of violence in Karachi and the shooting deaths of two US diplomats, but said the unrest would not deter foreign investment in Pakistan.

Bhutto, on a three-day official visit to Singapore, blamed the deteriorating law-and-order situation in Karachi on arms and drug smugglers who were avenging a government crackdown on their activities.

"Of course we are concerned with the situation," Bhutto said at a conference attended by some 200 executives

from leading multinational companies, when asked if the unrest would threaten Pakistan's investment climate.

"What I want to emphasise is that it is not as though the trouble is all over Pakistan or all over Karachi," she said.

"There is trouble in a part of Karachi, which is unfortunate. The irony is that the other part of Karachi is flourishing," she added.

Investments were continuing to pour into the safer parts of Karachi, she said, adding that Imperial Chemical Industries (ICI) of Britain and oil companies Shell and Caltex were expanding their Karachi operations.

Bhutto's comments followed the the slaying Wednesday of the two diplomats—a secretary and a communications technician at the US consulate in Karachi.

They were shot by unidentified men using automatic weapons in an ambush. A consulate employee's spouse was wounded but in stable condition in hospital.

The killings marked an escalation of Karachi's year-old wave of violence in which more than a thousand people have died in ethnic, political and sectarian violence. Five more people were shot dead Thursday.

Bhutto said the Karachi situation was "complicated" and partly stemmed from the war in Afghanistan, Pakistan's neighbour.

"When the war was going on we had all these organisations which were helping mould people for a holy war. And the country became awash with weapons which are easily available today," she said.

This led to militancy, terrorism and drug smuggling, she said, adding that Pakistani government needed to suppress these activities.

Bhutto returned home later Thursday.

#### **Minister Announces Defense Ties With SRV**

*BK0803020395 Singapore Radio Corporation of Singapore in English 1100 GMT 7 Mar 95*

[FBIS Transcribed Text] Singapore and Vietnam have established bilateral defense ties. Defense Minister Dr. Lee Boon Yang announced this during Vietnamese Defense Minister General Doan Khue's visit to Mindef [Ministry of Defense] today. Dr. Lee said that just as Singapore has already developed very close and very friendly defense relations with all ASEAN members, it is appropriate for Singapore to similarly build strong and close bilateral defense relations with Vietnam. An exchange of military delegations will be the first step in developing future ties.

Gen. Khue is the first Vietnamese defense minister to visit Singapore. He said Vietnam believes that conflicts like the Spratly islands issue should be resolved through peaceful negotiations and multilateral initiatives.



**Minister Launches National Internet Directory***BK0803122695 Singapore Radio Corporation of Singapore in English 1100 GMT 8 Mar 95*

[FBIS Transcribed Text] An interagency group from the public and private sectors has been formed to encourage Internet use in Singapore and the Republic's representation on the information highway. The minister for information and the arts also encouraged commercial organizations to establish their presence in the Internet to make themselves more accessible to users.

Brigadier General George Yeo was speaking at the launch of Singapore Internet—a national Internet directory with up-to-date information on Singapore. Gen. Yeo added that the Singapore Broadcasting Authority will act the local watchdog for Internet. It will work with other cyberspace regulators to keep the Internet free of undesirable elements.

**Philippines****Enrile Welcomes U.S. Presence in Region***BK0803090795 Manila THE MANILA CHRONICLE in English 4 Mar 95 p 6*

[By Eric Garafil]

[FBIS Transcribed Text] Fort Del Pilar, Baguio City—Armed Forces Chief of Staff General Arturo Enrile welcomed yesterday the decision of the United States to keep its military forces in Asia, saying it was necessary to maintain the balance of power in the region.

"The US presence has always been there (Asia). That's part of the global responsibility of the US," Enrile said, speaking to reporters covering the awards ceremony for this year's outstanding cadets.

On Monday, the US announced it would abandon plans to gradually reduce the 100,000 US troops now deployed in and near the region.

The US decision was based on the opinion of US officials that Asia is the fastest-growing region, and close to three million US jobs depended on stability here.

So far, the US Pacific Fleet has maintained its naval operations in the Pacific, Arctic and Indian Oceans. The US has a total strength of about 200 ships, 2,000 aircraft, 250 personnel and 38 shore installations in the area.

The Pacific Fleet protects sea lanes that link the United States with Asia-Pacific nations and trading partners. It protects a stabilizing influence overseas and supports all forces ashore.

Enrile said US presence in the South China Sea, an area considered as a potential flashpoint, is necessary to deter any aggressive acts by claimant countries. "There is even a consensus among the Asean countries for the US to maintain its presence in the (South China Sea and Asean) region," Enrile said.

He also said there was no connection between his view welcoming the US forces in Asia and the forthcoming talks on military cooperation with the Washington.

American and Filipino military officers will sit this month in the regular meeting of the Mutual Defense Board to discuss a draft agreement allowing the US to pre-position forces inside Philippine territory. Some members of the Philippine Senate have balked at the proposal, saying it would violate the country's sovereignty.

**MDB To Discuss U.S. 'Inaction' on Spratlys***BK0803115095 Manila BUSINESS WORLD in English 6 Mar 95 p 12*

[FBIS Transcribed Text] The issue of US inaction over the existence of Chinese warships and structures inside the country's 200-mile exclusive economic zone (EEZ) should be brought up during the RP [Republic of the Philippines]-US Mutual Defense Board (MDB) meeting scheduled in Manila this month, Senate Defense Committee vice-chairman Rodolfo Biazon said.

He also urged the Department of National Defense (DND) and the Armed Forces of the Philippines (AFP) to clarify certain provisions in the 1951 Mutual Defense Treaty (MDT) and how the treaty can be applied to the territorial dispute between China and the Philippines over Panganiban (Mischief) Reef.

"The MDB can be used as a venue for exploring ... the MDT. Probably there is a need for US to study the need for upgrading or updating the treaty considering the changing geopolitical conditions not only in the region but in the world," the senator said.

There is also a need to refocus the existing treaty in order to update provisions in compliance with the "changing geopolitical conditions" in the South China Sea and in the world, he said.

"There is a need to reassess the MDT. However, the MDB can only be used as an exploratory venue because the final arrangement will have to pass through the scrutiny and approval of the Senate," he added.

The US policy of not siding with neither the Philippines nor China was seen by some quarters as dishonoring the MDT, which provides for the RP [Republic of the Philippines]-US alliance during war and armed attack.

AFP chief of staff General Arturo Enrile said the MDT can be discussed during the meeting but said it has not yet been entered into the agenda to be approved by parties before the formal meet.

A ranking military official however, said there are indications the matter will be raised during the one-on-one meeting between Mr. Enrile and his American counterpart.



Last month, as soon as news on the existence of more than eight Chinese warships in the Philippine waters broke out, the US embassy came out with a statement supporting the peaceful settlement of disputes over the reef.

The Defense department, however, is convinced the Philippines has enough legal basis to compel the US to side with the country in forcing the Chinese out.

Recently, National Security Adviser Jose Almonte said US troops should be allowed to roam in the South China Sea to prevent a confrontation among the claimants of disputed areas. The AFP said it is supportive of Mr. Almonte's proposal saying there is a consensus among members of the Association of Southeast Asian Nations (ASEAN) to allow a US presence in the region.

Mr. Biazon also proposed the creation of a South China Sea forum to be initiated by the Philippines in the ASEAN to prevent a violent confrontation among claimants of the Spratly Islands.

"Any incident such as the Panganiban Reef situation can be discussed to prevent purely political and economic dispute" he said.

The Manila Declaration of 1992 is not enough, he said, as it merely provides for diplomatic ties and cooperation.

He added the proposed forum may discuss the possibility of joint development activities among claimants "without having to resolve the problem of territory and jurisdiction."

#### **Military Holds Joint Exercises With Singapore**

*BK0803020195 Singapore Radio Corporation of Singapore in English 1100 GMT 7 Mar 95*

[FBIS Transcribed Text] The Philippines and Singapore are holding their third annual joint military exercises. This year's bilateral war games are being held at Fort Magsaysay, some 110 kilometers north of Manila. Standing at the opening were Philippine Defense Secretary Renato de Villa and Singapore's chief of Defense Force, Lieutenant General Ng Jui Ping. The games are meant to foster closer ties between the armed forces of both countries.

#### **Foreign Debt for 3d Quarter Reported**

*BK0803090995 Manila PHILIPPINE DAILY INQUIRER in English 6 Mar 95 p B3*

[FBIS Transcribed Text] Philippine foreign debt climbed by 2.6 percent in the third quarter last year as private companies turned to the foreign market for their debt requirements.

Based on a statement made by the Bangko Sentral ng Pilipinas [Central Bank of the Philippines] (BSP), foreign debt rose by 2.6 percent to \$37.29 billion as of end-September from \$36.34 billion as of end-June.

The BSP said the private sector accounted for practically all of the \$1.6 billion worth of short-term loans that came in and half of the \$491 medium and long-term loans incurred during the third quarter last year.

The private sector accounted for 20 percent of the country's total outstanding obligations, or up from only 18 percent in the previous quarter.

The BSP said it expected the share of the private sector to increase substantially considering that 68 percent of the total borrowings approved for the whole of 1994 were for private companies.

The bulk of the borrowings was used to finance projects in telecommunication, power generation, transportation, and manufacturing.

Among these borrowers were private companies such as First Holdings of the Lopez group.

The Philippines regained access to the capital market three years ago after a decade of being shunned by foreign banks.

Since the Philippines declared a moratorium on debt payments in 1983, foreign dealings with creditor-banks were made through an advisory committee to represent the more than 300 financial institutions with exposures in the country.

The improving credit ratings by risk watchers have also contributed greatly to the issuance of more debt instruments overseas by local firms.

#### **Ramos Scraps Travel Tax in EAGA Zone**

*BK0803034395 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 7 Mar 95*

[FBIS Translated Text] Travelers from Mindanao going to Brunei, Indonesia, and Malaysia no longer need to pay a travel tax. President Ramos has scrapped the travel tax requirement for passengers travelling within the East ASEAN Growth Area [EAGA]. The tax exemption is effective for two years. According to Presidential Assistant for Mindanao Paul Dominguez, he has recommended the travel tax exemption to encourage trade and investment in the economic zone surrounded by the four countries in Southeast Asia. Exemption certificates can be obtained from the Philippine Tourism Authority.

#### **Thailand**

#### **Ministry To Protest U.S. Farm Act Subsidies**

*BK0803134695 Bangkok Voice of Free Asia in Thai 1030 GMT 8 Mar 95*

[FBIS Translated Text] Danai Dulalampha, Thailand's permanent representative to the World Trade Organization [WTO] and chairman of the WTO Agriculture



Commission, said on 10 February after a seminar that the Thai Agriculture and Cooperatives Ministry plans to protest the U.S. Farm Act because of its characterized subsidy of agricultural production and export when interpreted in accordance with GATT. As a WTO member, the United States should conform with the agreed regulations. The Cairns Group already sent a protest letter to the United States. The protest by the Thai Agriculture Ministry will be the second of its kind. Several other countries are also studying the U.S. Farm Act for possible action.

### **Regional Ties Seen Growing in Post-Deng Era**

*BK0803034695 Bangkok THE NATION in English 8 Mar 95 p A8*

[FBIS Transcribed Text] Economic cooperation between Thailand, Laos, Burma, and China's southern province of Yunnan will continue to grow even after the imminent death of Chinese Premier Deng Xiaoping, Deputy Foreign Minister Surin Phitsuwan predicted.

Surin was playing down fears that the uncertainties within China about the post-Deng era will have a negative impact on the economic cooperation between the four countries.

"The momentum is there and any attempts at turning the cooperation around will have a detrimental effect. If anything the momentum will accelerate. I don't think there are going to be any problems," said Surin.

The agenda for economic cooperation among the four countries, known as the Growth Quadrangle Economic Cooperation, was initiated in the middle of 1993 during an official meeting held in Bangkok.

The forum was first proposed by Yunnan Province which was seeking to become China's southern trade gateway. The idea was deemed to be in line with Deng Xiaoping's economic reform.

The four countries are expected later this month to sign an agreement to allow the free passage on the Mekong river for all ships from the member countries. The agreement will cover a stretch of the river from Yunnan through to the ancient Laotian city of Luang Prabang.

### **Physicians To Watch King's Health Closely**

*BK0903073095 Bangkok BANGKOK POST in English 9 Mar 95 p 1*

[FBIS Transcribed Text] Public Health Minister Athit Urairat has been told to set up a team of government physicians to pay close attention to the condition of His Majesty the King, who has been suffering from chest pains, Prime Minister Chuan Likphai said yesterday.

Mr Chuan, who is in Germany, said he asked Dr Athit to open a hot-line with him to keep him briefed on the King's condition.

The Prime Minister said the King experienced discomfort in the chest after taking his routine daily exercise on Monday.

After treatment from the team of royal physicians his condition has improved, but the team will continue to pay close attention to His Majesty's health, Mr Chuan said.

On Tuesday the Royal Household Bureau announced that the cause of the King's indisposition was a temporarily insufficient blood supply to certain heart muscles.

The royal physicians advised the King to rest and to postpone royal activities.

The King is now residing at Chitlada Palace.

### **Police Watch 'Suicide' Separatists in South**

*BK0803034895 Bangkok BANGKOK POST in English 8 Mar 95 p 3*

[FBIS Transcribed Text] Special Branch police are keeping a close watch on a new group of separatists calling themselves a "Muslim suicide squad" which recently sent a letter to the governors of five southern border provinces saying they want the provinces to set up an autonomous state.

Special Branch commissioner Wira Wisuthikun said it was not yet known whether the group were part of the Pattani United Liberation Organisation (PULO) or other old separatist groups, but it was necessary for police to remain in vigilant.

The "Muslim suicide squad" recently sent a letter in the Jawi language to the governors of Songkhla, Satun, Pattani, Yala and Narathiwat, saying there would never be peace in the five provinces as long as they were not a "Darus Islam" (an Islamic state).

Pol Lt-Gen [Police Lieutenant General] Wira said the sending of the letter coincided with an armed attack on a police station in Narathiwat. The action was considered political because it was not aimed at causing casualties or damage.

The "Muslim suicide squad" might be a new separatist group which disagrees with past PULO activities, he said.

Pol Lt-Gen Wira said the situation in the five southern border provinces had remained quiet during late February-early March.

## **Vietnam**

### **Foreign Minister on Full Membership in ASEAN**

*BK0903073495 Hanoi VIETNAM INVESTMENT REVIEW in English 20-26 Feb 95 p 4*

[Report by Ha Thang]



[FBIS Transcribed Text] Vietnam Foreign Minister Nguyen Manh Cam confirmed Vietnam's upcoming entry into the Association of South East Asian Nations (ASEAN) this July.

The induction of Vietnam is to occur in an official function to be held one day before the Association's Brunei meeting this coming July, according to Cam.

"We will attend the 28th meeting of ASEAN foreign ministers and the summit meeting to be held at the end of this year as a full member," Cam told the press upon his return to Hanoi from an official visit to the Philippines, Singapore and Australia.

According to Cam, these three nations all expressed keen interest in expanding economic ties with Vietnam.

Filipino president Fidel Ramos encouraged Cam to boost bilateral cooperation on commerce between the two countries, particularly with agricultural and aquatic products.

Australia aims to accelerate cooperation concerning telecommunications, technology transfer, mining, energy and the establishment of joint ventures to manufacture export goods.

With Singapore, Vietnam's third largest investor, Cam is pushing to implement an industrial park in Song Be province. In addition, he wants to widen tourism links through further development of resorts and the promotion of direct routes.

Leaders from the three nations praised Vietnam for its peaceful approach to disputes over territory in the Eastern Sea.

As for Vietnam's involvement in the Asian Free Trade Area (AFTA), Cam explained that this would not be possible until the country has successfully passed through its initial market transition period.

Vietnam needs to familiarize itself with the international mechanism of customs and taxation, Cam declared, after talking to regional leaders about his country's ASEAN entry.

"One of the main focuses for Vietnam's diplomacy in 1995 are African countries as they were active supporters of our country during its struggle for national independence," Cam said specifying that relations to South Africa will be of high interest.

One touchy issue brought up by Cam during his tour concerned the large number of Vietnamese asylum seekers still languishing in camps around the region.

Cam disclosed that an agreement was recently signed with the Philippines to repatriate some 2,000 Vietnamese residing in camps there.

"The Filipino leaders have agreed with our principles of voluntary and orderly repatriation with human dignity and international financial assistance for returnees,"

Cam announced. Similar agreements have already been signed with other countries and territories housing asylum seekers like Hong Kong, Malaysia, and Indonesia.

"From now on, there will be no more issue of Vietnamese boat people in Southeast Asia," declared Cam.

"There are still some unresolved cases involving Thailand but the Thai authorities have so far agreed with us on our established principles for settlement of the situation," he added.

For 1995, Cam predicted that Vietnam will continue to greet as many high-level foreign delegations as the year before.

The current ASEAN members are Singapore, the Philippines, Thailand, Indonesia, Malaysia, and Brunei. Vietnam, Laos, and Cambodia presently hold observer status.

#### **Radio Reviews Relations With Burma**

*BK0803145595 Hanoi Voice of Vietnam in English  
1000 GMT 8 Mar 95*

[FBIS Transcribed Text] The Vietnamese Foreign Ministry has announced that Myanmar [Burma] Prime Minister General Than Shwe will pay an official visit to Vietnam soon. On this occasion, Radio Voice of Vietnam would like to bring you a review of relations between Vietnam and Myanmar.

Vietnam and Myanmar have set up political and diplomatic relations for quite a long time. Myanmar has supported and assisted the Vietnamese people in the struggle for national independence and national construction and defense. In 1947, Vietnam set up its permanent office in the capital of Myanmar, and 1957 the office was turned into Vietnamese General Consulate. On 20 May 1975, Vietnam and Myanmar officially set up diplomatic relations at ambassadorial level. In 1954, Myanmar Prime Minister U Nu paid an official visit to Vietnam and in 1958 the late President Ho Chi Minh visited Myanmar. The friendship and cooperation between the two countries have been constantly developed and consolidated, especially in recent years. The two countries both focus on some similar objectives including the development of market oriented economy and foreign policy to befriend with all countries in conformity with common trend for peace, stability, cooperation, and development.

The official visit to Myanmar by Vietnamese Prime Minister Vo Van Kiet in May 1994 was an important turning point in the friendly and cooperative relations between the two countries. During the visit, Vietnam and Myanmar signed three agreements on trade, tourism cooperation, and the establishment of an intergovernmental commission for economic cooperation between Vietnam and Myanmar. In August 1994, Vietnam's minister for agriculture and food industry visited



Myanmar and signed a memorandum of understanding on bilateral agricultural cooperation. Myanmar minister for agricultural and energy also visited Vietnam.

The Vietnamese Ministry of Foreign Affairs said that during this visit to Vietnam, the Myanmar prime minister will have talks with his Vietnamese counterpart Vo Van Kiet, President Le Duc Anh, and party leader Do Muoi will receive the Myanmar guest. Vietnam and Myanmar plan to discuss orientations and measures to promote friendship and cooperation between the two countries in many fields. They will also discuss regional and international issues of common concern. Together with this coming visit, the intergovernmental commission for economic cooperation between Vietnam and Myanmar will meet in Hanoi early this week to review the implementation of the agreements signed in May 1994, and discuss orientations to promote bilateral relations.

This future event will further promote the friendly relations and cooperation between the two countries in the interest of peace, stability, cooperation, and development in the region and rest of the world.

#### **Music, Videotape Copyright Piracy Reported**

*BK0803133495 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 8 Mar 95*

[FBIS Translated Text] Currently, approximately 10 million music cassettes and movie videotapes are being sold on the local market each year. Meanwhile, the production and business situation tends to worsen due to the bad practice of copyright piracy and price increases.

Many enterprises in various provinces and cities throughout the country have been busying themselves with producing countless artistic works while paying no attention to their quality. Freely and indiscriminately, they have set up stalls to copy and sell cassettes and videotapes. Most of these products do not meet technical standards for sound and video recordings, due to a lack of professional personnel. To achieve their profit-seeking goal, these enterprises would not hesitate to copy foreign-made cassettes and videotapes while paying no attention to the contents of their products.

It is the wish of art-loving people and those concerning themselves with the country's future generations to see an early end to the anarchy in the music and videotape market.

#### **Finance Ministry Reports 1995 Deficit Estimate**

*BK0903071695 Hanoi VIETNAM INVESTMENT REVIEW in English 20-26 Feb 95 p 2*

[Report by Nguyen Tien Hoang]

[FBIS Transcribed Text] Vietnam faces a 1995 budget deficit in excess of US\$700 million, according to figures recently released in a report of the Ministry of Finance.

The report says, the 1995 budget is estimated at VND55.4 trillion [Vietnamese dong] (US\$5.0 billion) but spending is estimated at VND63.1 trillion (US\$5.7 billion)—leaving a budget deficit of VND7.8 trillion (US\$710 million).

In a separate report, State Bank Governor Cao Si Kiem last week estimated the deficit would be around US\$500 million.

The Government's budget plan calls for the deficit to be made up through foreign and domestic loans rather than by issuing more banknotes to decrease the pressure for a price increase.

Cash in circulation in 1995 will increase by 20 percent over 1994 to meet an anticipated GDP growth rate of nine to ten percent.

In 1995, the Government plans to increase prices by as much as 10 percent on some key commodities such as electricity, petrol, cement, steel and iron due to an increase in domestic production costs and price increases on the world market.

Together with the value of resources and land prices in accordance with the newly established Land Law, this adjustment will influence commodities and services prices, but not so strongly to cause a significant jump in inflation, the report says.

Total export turnover for 1995 is estimated at US\$4.5 billion and import turnover at US\$5.5 billion.

Although these leave a trade imbalance of US\$1 billion—foreign loans, remittances and state reserves still make it possible to keep the exchange rate stable according to the report.

Tran Quang Nghiem, head of the Government Pricing Committee, said inflation can be kept to about 10 percent barring unforeseen circumstances such as floods and other natural disasters.

#### **Projects To Attract Foreign Capital Outlined**

*BK0903104295 Hanoi VIETNAM INVESTMENT REVIEW in English 20-26 Feb 95 pp 14, 15*

[Report by Hoang Van Huan]

[FBIS Transcribed Text] It is impossible for Vietnam's economy to take off when industrial output accounts for only 21 percent of the gross domestic product (GDP), as is the case today.

It is also impossible to achieve take off when almost all materials and fuels essential to the national economy are imported, as Vietnam is doing now (100 percent of petrol, 50 percent of iron and steel, 90 percent of petrochemicals and basic chemicals, and 98 percent of urea fertilizer are shipped in from overseas).



Industrialization in the world's developed countries was achieved over generations. Few have made that leap forward within 20 or 30 years.

Speaking with the State Committee for Cooperation and Investment (SCCI) officials on February 8, 1995, Vice-Premier Phan Van Khai said that Vietnamese policy makers will achieve industrialization by the year 2020. By that time, agricultural products should account for 10 percent of GDP, much less than today's 36 percent share.

Late last year the SCCI drew up a list of 150 priority projects to attract foreign direct investment. These concentrate on eight major programs:

1. Develop the oil and gas industry so that it can export 20 million tonnes of crude oil by 2000; have a refinery in operation by 2000 and a second one several years after that. Facilities will be built to bring oil and gas ashore for electricity generation, LPG [Liquified Petroleum Gas] processing and fertilizer production .
2. Build approximately 10 industrial zones for 900 small and medium-sized enterprises to produce consumer goods.
3. Invest in the existing establishments and build a number of new establishments lying outside industrial zones.
4. Build five or six cement plants with an output of about seven to eight million tonnes.
5. Develop heavy industrial enterprises such as metal, engineering, electronics and chemical plants.
6. Invest in agricultural, forestry, aqua-product areas and their associated processing industries.
7. Implement communication, transport, telecommunication and infrastructure projects with foreign direct investment (FDI) capital in build-operate-transfer projects.
8. Build services and tourist facilities.

SCCI Minister Dau Ngoc Xuan has said industrial zones will form the backbone of the future economy. Investment outside these areas will complement zone development.

Deputy head of the SCCI department handling export processing zones (EPZ), Nguyen Xuan Trinh, said industrial zones should comprise two types: those where enterprises manufacturing for export; and those built to focus on production for export and domestic consumption.

Vietnam has six licensed EPZs, of which five are under the management of foreign invested enterprises. So far, only one—at Tan Thuan, Ho Chi Minh City—has the appropriate roads and power lines installed and enterprises up and running. All the others are still in the preliminary construction phase.

Vietnam's economy is not focused only on exports. A home market of 80 million consumers by the year 2000, and an annual GDP growth averaging nine percent have a lot of potential. For this reason, the Vietnamese Government has issued regulations on industrial zones in order to attract foreign and domestic investment for production of products for local consumption.

Industrial zones will help eliminate limitations of EPZs so that companies locating there do not have to focus purely on exports.

Vietnam has granted licenses to foreign companies to set up two industrial zones: one in Vat Cach, Hai Phong City, and the other in Dong Nai.

Trinh said the SCCI's proposal has been submitted for 31 other industrial parks, including one with South Korea's Daewoo in Hanoi and Sai Dong Park, Hanoi, to be built by Vietnam with loans from Taiwan.

Ha Tinh, Quang Ninh, Song Be, Quang Nam-Da Nang, Ha Bac, Thanh Hoa, Nghe An and Dong Nai provinces all want to set up industrial zones. Ba Ria-Vung Tau wants a zone dedicated to the oil and gas industry.

Selecting suitable zone locations is all part of Vietnam's industrialization strategy. To meet the 2020 target, the SCCI hopes to issue development licenses in 1995-1996.

#### **Companies Face Capital Shortage, Tight Credit** *BK0903074295 Hanoi VIETNAM INVESTMENT REVIEW in English 20-26 Feb 95 p 11*

[Report by Tran Kim Giang]

[FBIS Transcribed Text] Vietnam's rosy economic air appears tinged by a capital drought which has lead to a proliferation of banks and other lending institutions hoping to cash in as rain makers.

In recent years, the number of businesses taking out bank loans jumped from 25 percent in 1991 to 65 percent of the total in Vietnam in 1994.

Results from a recent survey examining the development of small and medium-size companies indicate that this leap testifies less to the expansion of local banking services and more to the unquenchable thirst of local enterprises.

Up to 35 percent of Vietnamese companies still suffer from capital shortfalls but have not been able to secure loans. More than half of those already with bank credit complain they don't have enough, according to a survey conducted late last year by the Central Institute for Management Research.

The survey queried 270 businesses in Ha Bac and Dong Nai provinces for clues as to how bank loans were being utilized and renewed. Results revealed that bank loans actually do not account for a high percentage of the total trading capital within these enterprises, particularly in non-state organizations. Most companies report having



short term supplemental loans (three to six months) which comprise only 10-30 percent of their total capital.

Problems encountered in borrowing money created a financial impasse for many companies. Complications such as tangled lending procedures and back-breaking collateral demands struck 97 out of 100 companies surveyed.

At the base of the obstacle course is the banks' wariness of and low confidence in borrowers. This lack of trust appears to be a two-way street, as evidenced by the fact that half of the enterprises surveyed shy away from settlement services offered by the lending institutions.

To bridge this gap, the Government has attempted to accelerate development and renovation of the country's credit market, a move encouraged unanimously by the private business sector. According to those surveyed, the top priorities are longer-term loans of one year or more (30 percent), lower interest rate (39 percent), simpler lending procedures (30 percent), and a system of collateral and governmental guarantees for loans (20 percent). Bank officials acknowledge these demands but stress that time is needed to realize such fundamental changes.

Banks must secure sources of capital on an extended basis before being able to grant long term loans, said financial executives. At present, especially in the absence of a stock market, commercial banks find it impossible to give out long-term loans to companies without themselves having an adequate supply of capital from either the Government or foreign credit at preferential rates.

As for lowered interest rates, this is difficult in the face of rising inflation where saving deposits remain thin. Banking experts agree that streamlining loan transactions and creating a system of collateral can be carried out immediately. However, in order for this to happen, the State Bank of Vietnam must loosen its own rigid credit procedures and lay out official guarantees for these private financial institutions. Effective since the beginning of this year is a regulation within the Law on Encouragement for Domestic Investment confirming guidelines for loan guarantees by the Government.

Other improvements should include establishing of an effective registration system for property (especially houses), and the right to use land. Progress will depend heavily on more qualified staff and the eradication of corruption within the mechanism suggested the survey.

#### **Commerce Minister Sets Export Growth Target**

*BK0903072695 Hanoi VIETNAM INVESTMENT REVIEW in English 20-26 Feb 95 p 2*

[Report by Nguyen Tri Dung]

[FBIS Transcribed Text] Commerce Minister Le Van Triet disclosed last week a series of amendments to regulations regarding his office's management of Vietnam's import and export activities. The changes were

made to ensure a continued trade increase this year and in years to come, Triet said.

The minister added that imports and exports during the last several years have grown at a rate higher than that of the national economy. But to meet new requirements the country needs to accelerate its export strategy to achieve an increase of about 25 percent annually from 1995 through the end of the century.

In a press briefing in Hanoi last week, Tri mentioned a wide range of 1994 achievement including a 21 percent increase in exports, 15 percent increase in imports and improved integration into regional and world markets.

Vietnam in 1994 was granted observer status for GATT; became an aligned member of APEC [Asia Pacific Economic Council]; and is now preparing to take part WTO [World Trade Organization] and other international and regional bodies.

Triet said international cooperation will remain one of the prime objectives pursued by his office. "Last year alone, we granted licenses to 499 foreign companies or representative offices in Vietnam while making enormous strides to strengthen and renew the activities of our commerce offices overseas, he said. The Commerce Minister noted a 110 percent increase in rubber, 120 percent in coffee, 106 percent in coal, 102 percent in crude oil, 108 percent in aquatic products, and 137 percent in garment and textile exports.

Triet said that industrial goods account for only 14 percent of exports in 1991. By 1994 this figure jumped to nearly 19 percent while raw materials exports decreased from 39 to 36 percent.

Imports increased 15 percent compared with 1993 including 17 percent for oil, 12 percent for urea fertilizer, and 56 percent for cotton. The import of cement increased four times and sugar three times against 1993.

According to Triet, completing an adequate legal environment is his office's top priority. This will push ahead the import and export activities for a better service to the nation's development, he said.

A total of 14 new sets of regulations were issued by the Commerce Ministry last year to replace outdated regulations. The country's commerce law has been drafted and will soon be made public for comments from concerned government offices before being forwarded to the National Assembly, he said.

"We always welcome criticism made by the media regarding our office," he said. "To make contacts between the Commerce Ministry and the press closer, we have decided to appoint a three-member board headed by lawyer Professor Luu Van Dat who will act as the minister's personal spokesman to keep contact with all journalists who are keen to inquire about our office's performances," Triet said in response to press questions



regarding his office's alleged mismanagement of granting licenses and of its anti-smuggling campaign.

The minister said his office carried out some 70 smuggling investigations last year within organizations and units under his direct management. Six senior officials were fired, six were demoted and 16 others were seriously warned, he said.

"Of course, we will have to step up efforts this year to purify the import and export environment by overhauling the entire set of policies, mechanisms and regulations of which the main focus will be given to the free distribution of all kinds of goods," Triet told the press.

Triet said the number of trade items which were under state management will be reduced from 45 now to 35.

Triet added that moves will be taken to integrate the nation into international markets through stronger ties to foreign partners.

"We are making every necessary preparation for an early participation in international and regional commercial bodies to make Vietnam a reliable partner and an effective member in the world commerce community," Triet declared.

In recent years, Vietnam has moved towards a multisectoral economy with healthy domestic production as well as import and export activities.

As of last year, the country had 1,650 State-owned trade businesses, 2,104 private businesses, 2,413 limited businesses, 23 share holding businesses, and 912,975 commerce households.

According to a Government-approved scheme, the country within this year will strengthen some major State-owned import and export corporations which are expected to dominate the distribution of essential goods and to establish major export corporations.

#### **Lower Rice Export Quota Set for 1995**

*BK0903071295 Hanoi VIETNAM INVESTMENT REVIEW in English 20-26 Feb 95 p 3*

[Report by Trinh Thi]

[FBIS Transcribed Text] Vietnam's two million tonnes rice export quota for 1995 falls 100,000 tonnes short of the amount fixed for 1994.

Two reasons prompting the reduced quota were Vietnam's growing population and the conversion of some rice fields into areas for other more effective crops, according to Ha Van Dang, the Deputy director of the Department of Policy and Management in the Ministry of Agriculture and Food Industry (MAFI).

Dang explained that "while rice production continues to grow, Vietnam plans to keep the two million tonnes quota at least until the year 2000."

Seventy percent of the rice (1.6 million tonnes) will be exported through 16 designated enterprises and the remaining 0.4 million tonnes will trickle through smaller firms who are limited to 30,000 tonnes per firm.

"Before, when there were too many enterprises exporting rice, the crowding competition caused severe undercutting of price which damaged export as well as negotiations for trade contracts," Dang said. "The new regulation will put an end to this price war and restore the stable price of rice."

Newly released export control measures demand that companies submit monthly reports informing the Government of sales and export volumes. To maintain stability in the domestic market, the Ministry of Trade will determine monthly prices and export quotas which cannot be exceeded by the trading firms. Unfulfilled export quotas of any particular company after September 15, 1995 will be passed on to other export enterprises.

Total rice production for 1995 has been estimated between 23.5 and 23.7 million tonnes, a two percent increase over last year's output. "Last year's Mekong flooding will have no effect on this year's crop," Dang declared. "In fact, the alluvial soil deposited by the flood will be very good for crops in a few years."

#### **Paper Explains Need To Expand Grain Production**

*BK0803144695 Hanoi THOI BAO TAI CHINH in Vietnamese 16 Feb 95 p 12*

[Article by Minh Dung]

[FBIS Translated Text] Since 1989, Vietnam's food grain production has increased rapidly and steadily in all regions. Vietnam is now capable of meeting the country's basic needs. It is also able to set up reserves and export rice. However, Vietnam is considered to have not fulfilled the food supply safety program as determined by FAO [Food and Agriculture Organization].

The national food supply program has three basic objectives: ensuring adequate food resources, distributing nutritious food on a stable basis to all members of society, and firmly improving the provision of protein, lipids, and vitamins in food. In many localities, especially in mountainous and remote locations, people still suffer from food shortages due to the poor infrastructure, inappropriate food provision facilities, and low purchasing power. In many areas especially in mountainous and remote regions, the malnutrition rate remains fairly high, particularly among children and mothers.

In 1991 and 1994, natural disasters caused significant reduction in food grain production, and created unexpected price rises that prompted state intervention. Generally, however, agricultural development and food production in the last several years have been growing steadily, and from 1989 Vietnam became the world third



largest rice exporter (after Thailand and the United States). Unfinalized records show that at the end of 1994, Vietnam had exported nearly 10 million tonnes of rice in the last six years.

According to the estimates of authorities, our population will be 80-82 million by the year 2000 and 94-96 million by 2010. Corresponding demand for food grain will not be less than 28-30 million tonnes for the year 2000 and 38-40 million tonnes for 2010, or 20 and 50 percent higher than the 1993 demand respectively. If we include exports to world rice markets, we will have to produce no less than 32 million tonnes of food grain (28 million tonnes of which will be unhusked rice) by the year 2000, and 42 million tonnes (35-36 million tonnes of which will be unhusked rice) by 2010.

Demand for food grain is fast increasing, while arable land area is limited, especially for food cultivation. Arable land of per head continues to decline as a result of population growth and the rapidly increasing industrial, service, transportation projects and so forth being undertaken. In ensuing decades, agriculture will continue to play an essential role in the national economy. Therefore, food production and especially food-processing aimed at enhancing the economic value of agricultural products should be considered prime tasks for farmers and other economic sectors. This will contribute positively to the stable socioeconomic development of our country.

#### **National Journalists Congress Opens in Hanoi**

*BK0803161795 Hanoi VNA in English 1249 GMT 8 Mar 95*

[FBIS Transcribed Text] Hanoi VNA March 8—The Fifth Congress of the Vietnamese Journalists Association (VJA) began in Hanoi this morning, with attendance by 330 delegates representing nearly 7,300 journalists across Vietnam.

Party General Secretary Do Muoi and chairman of the National Assembly Nong Duc Manh attended the congress. President Le Duc Anh sent a bouquet of flowers to the participants.

Looking back to the press development over the past five years, the report addressed by Mr Phan Quang general secretary of the VJA said that at present Vietnam has 7,260 professional journalists including more than 1,700 having 25 years of seniority. The journalists are working at 376 printed and oral press and magazines with over 360 million printed copied each year. Last year, more than 12,000 tonnes of bank paper was consumed by the mass media. There are now some papers in English, French and Chinese.

The latest technology has been used in radio and television network to broaden their coverage. Efforts have been made to improve the quality of both press format

and content. However, the press, especially the printed papers, has not yet gone to remote rural, highland and off-shore areas.

With regard to outstanding achievements of the Vietnamese press over the past five years, the report said that it has performed its function well as a 'forum of the people' to secure timely and comprehensive communication. It has been actively involved in the widespread struggle against negative phenomena and social evils, as well as all mistaken and misled information and allegations staged by the hostile forces against Vietnam.

The report affirmed: 'far-reaching renewal of communicated information and public speech has facilitated a climate of democracy in social life, at the same time, the Vietnamese press is fully aware of its great responsibility and has been making positive contribution to the struggle for maintaining socio-political stability, thus helping promote the national renovation'.

The report added that weaknesses and mistakes were also seen in the press content, namely a lack of in-depth information, and poor and untimely criticisms. It has sometimes performed well its task as a promoter and leader of public opinion. Apart from positive affects, the market economy has also caused negative influences on the press such as a commercialized approach taken by a number of newspapers by way of communicating violent, sexual information and stories as well as abusing advertising.

Regarding the press staff, the report made clear that there has been few excellent journalists who are dynamic, skilled and talent. The press staff are armed with simple and manual equipment.

The report noted that the press's future tasks are to generalize policies and laws, maintain and bring into full play national culture, speed up external relations news and help facilitate the open-door policy. The press must be a real forum for the people in carrying out their master rights and in participating in the working out of policies, laws and national management.

The report made proposals to the party and state to promulgate a national policy on Vietnam's information and press.

General Secretary Do Muoi, on behalf of the Central Committee of the Communist Party of Vietnam warmly welcomed the press's positive contributions to the common achievements recorded by the Vietnamese people in their current renovation process, and said that the press 'must better realize the people's information right'.

During the two days of the congress from March 8-9 the delegates will discuss and pass this report, amended draft on the association's regulations, a draft convention on the Vietnamese press's virtue standards, and elect the association's leadership agencies.



**\* Articles Detail Struggle of 'Political Prisoners'**

**\* Prisoner's White Paper Summarized**

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pp 103-105

[FBIS Translated Text] The Committee To Protect the Rights of Vietnamese recently received the "White Paper" of Pham Van Thanh, a political prisoner who is imprisoned at Reform Camp A 20 in Phu Yen Province. He charges that political prisoners are being tortured, maltreated, and killed. This White Paper, dated 25 July 1994, was addressed to "the leaders of the Communist Party of Vietnam" [CPV].

Mr. Thanh was an overseas Vietnamese living in France. He returned to Vietnam on a visit and was arrested on 5 March 1993 along with a number of other overseas Vietnamese who had come here from Canada, the United States, and Switzerland. The Ho Chi Minh Municipal People's Court tried this group of people on 23 August 1993. (Those tried included Tran Tu, Nguyen Van Muon, Do Huon, Pham Duc Hau, Do Hong Van, Le Hoan Son, Pham Van Thanh, Luc Sy Hanh, Van Dinh Nhat, Tran Thi Nhan, Nguyen Duy Cuong, and Nguyen Phu.) Mr. Thanh was sentenced to 12 years in prison, and Mr. Dung was sentenced to 20 years in prison for "engaging in activities aimed at toppling the people's regime."

**A Nonviolent Struggle To Denounce Dictatorship**

Mr. Pham Van Thanh has refuted this unlawful verdict and, in his White Paper, affirmed that "I returned to Vietnam to participate in nonviolent demonstrations. We simply want to 'oppose' you through politics and free ballots."

Mr. Thanh stated that "the Communist Party of Vietnam, through Ho The Lan and foreign affairs officials, has constantly told the world that 'Vietnam does not have any political prisoners.' But sirs, what are we? For writing a short article on the actual state of society here and sending his article abroad, Ho Ngoc Tuan was sentenced to 12 years in prison. For compiling materials on society and morals, the monks Thich Tue Sy and Thich Tri Sieu were sentenced to 20 years in prison. For establishing the Freedom Platform Research Group, Professor Doan Viet Hoat was sentenced to 15 years in prison. For advocating humanistic ideas, Dr. Nguyen Dan Que was given a 20-year sentence. In hundreds of thousands of other cases, the public security forces have tortured people and forced them to confess that they have explosives and weapons, brought them before the court, and falsely accused them of disrupting social order, advocating the killing of people using explosives, and so on. The prosecutors have followed the lead of those directing the proceedings in order to raise points. You have acted in a very cruel and unjust way. You have likened us to real criminals (robbers and murders, the consequence of the unfilial society that you have created).

"Your present laws are aimed only at protecting the rotten communist regime. They certainly aren't aimed at protecting the people. There are no fixed boundaries between the executive, legislative, and judicial branches. Everything is controlled by the public security forces (with the people's organ of control serving as the screen). It is the public security forces that determine the sentence (the courts are simply interpreters). And it is the public security forces who imprison people and who run the prison camps. Public security forces brutally beat prisoners. Almost all of the domestic political prisoners who have been in jail for 19 years now have been brutally beaten like animals. Today, even in this camp (A 20), I have witnessed cadres beat prisoners with the butts of their rifles at the camp gates. Many public security officials surround a single person and beat him, and blood flows from the prisoner's face. You beat and tortured to death priests such as Nguyen Luan, Nguyen Minh, and Nguyen Van Vang at this camp during the period 1986-1987. And to date, you have not allowed their families to claim their remains.

"The party has imprisoned thousands of people and forced them to engage in hard labor. But there is no public health system for them. They are not given enough to eat. (They are fed only rice and water; meat appears on paper only.) Those who are ill must pay their medical expenses themselves. A recent example at this camp is that of Hoang Dinh My, who has been in jail for 28 years. Because of a labor accident, one of his eyes was injured. The camp did not provide even one dong for medical treatment. His fellow prisoners had to help provide the money for his medical treatment, including the expenses of the public security unit that accompanied him. Tran Cong, who returned to Vietnam from Thailand with the forces of Hoang Co Minh, died two weeks ago because there was no medicine to treat him.

"Even though you have charged us with ordinary criminal offenses, out of a sense of honor and fairness, we feel that we must clearly affirm that we are political prisoners who are being unjustly and inhumanely held in our native country by the Communist Party of Vietnam, that is, you, in your capacity as officials and leaders and in the name of the state and law. Suffering the same fate of at least 1,000 other political prisoners, we can confirm that political prisoners are being held at the A 20 camp in Phu Yen, the K 3 camp in Xuan Loc, the Z 30D camp in Ham Tan, the B 34 camp in Saigon, and the Chi Hoa and Vung Tau prisons."

As for the incarceration of prisoners, in his article "Please Tell Us Who the Criminals Are," Dao Van Quan, a prisoner who attached his article to Thanh's White Paper, wrote that "with the sudden changes in climate in Vietnam, all of the centralized camps are located in valleys below mountain caves, with those holes dug in preparation for burying prisoners. With the strict camp regulations, each person is allowed only 1 kg of rice, which is the equivalent of 2,000 dong (\$0.20 or 1 franc, our footnote). We are fed mostly rice and water. Is



that a good way to kill people? At the same time, each prisoner must engage in hard labor eight hours a day in order to earn some money to pay for food and medicine, to support the public security officials at the camp, and to pay taxes to the state. Thus, how can prisoners possibly manage to survive their sentences, with prisoners serving sentences ranging from 10 years to 19 years? An example is Pham Van Dang, a man from Thu Duc who was imprisoned on charges of plotting to overthrow the regime. He died at the C brick furnace unit. He had suffered from high blood pressure for many years and had filed many reports requesting to be transferred to another unit. This was confirmed by a camp doctor (a doctor who was a prisoner). But he was ignored. Mr. Dang was killed by the communists in a premeditated way. As for the death of Tran Huu Cong, communists watched him die hour by hour for three months without ever giving him any medicine."

#### **Restore to the People the Right of National Self-Determination**

The White Paper of Pham Van Thanh presents things under four headings: 1. the right of national self-determination, 2. the problem of solidarity, 3. the national economy, and 4. the human rights issue. The above excerpts were taken from the section on "The Human Rights Issue."

In the section on "National Self-Determination," Thanh evaluates "the methods of the Communist Party of Vietnam during the past 40 years, whose real nature is that of a dictatorial militaristic clique." And he demands that "that minimum right (national self-determination) be restored to the people."

In the section "The National Economy," Thanh states that, "after living outside the fatherland for 12 years and living in prison for two years, my observations about the country remain virtually unchanged. All of those who enjoy special rights and privileges and who are paid high wages are those who have served the CPV. The people have had to bear a much greater burden to protect the party than to develop the country. Corruption supports smuggling, and smuggling fosters corruption. The party has been calling for people to oppose corruption for a decade, but corruption continues to increase and become more and more subtle. This leads us to believe that the party has done nothing to stop corruption from increasing and that it regards this as a special right of party members so that they will devote themselves to protecting the party while oppressing the people. Mr. Thanh mentioned the dangers posed by investment, stating that "most foreign investors here today are from Chinese companies. They have little regard for Vietnamese laborers. Provinces have signed investment plans funded entirely with foreign capital and irresponsibly ceded the fatherland's land to them."

#### **The Four Demands of Pham Van Thanh**

At the beginning of the White Paper, Pham Van Thanh states that "because information and human rights are

very limited, I have been compelled to find a way to disclose the contents of this white paper. I have had to rely on international news organs and the High Commissioner for Human Rights in order to send this to you. If there are any consequences because of what has been done, I will take full responsibility."

In conclusion, Mr. Thanh makes four demands:

"1. To restore freedom to and to create means of freedom for all monks and priests who have been imprisoned or put under surveillance. To show a spirit of leniency to those who have died in prison and to their families by allowing their bodies to be reburied in a free and legal manner.

"2. To restore freedom to all political prisoners, particularly those who are old and ill and those who have been in prison for more than 15 years.

"3. To restore to people the right of national self-determination by organizing free elections at all levels of leadership, with these elections monitored by international organizations and the United Nations.

"4. The CPV and the other parties must all be equal in order to mobilize the national strength to defend our fatherland and build a free, happy, and prosperous Vietnam."

#### **\* Other Prisoners Confirm 'Facts'**

952E0056B Paris *QUE ME in Vietnamese Jan-Feb 95*  
pp 105, 106

[FBIS Translated Text] **Eight Well-Known Political Prisoners at the Ba Sao Camp Confirm the Facts in the White Paper**

Eight well-known political prisoners at the Ba Sao labor reform camp in Nam Ha in northern Vietnam have in various statements denounced the cruel treatment, lack of food and medicines, and forced labor that political prisoners must put up with at prisons in Vietnam. Their statements confirm the statements made by Pham Van Thanh about the situation at Camp A 20 in Phu Yen. The Committee To Protect the Rights of Vietnamese disclosed his White Paper to international news organizations and press agencies and sent it to the United Nations on 27 September 1994.

Professors Doan Viet Hoat and Tran Tu, Tran Manh Quynh, and Ly Tong signed a "protest concerning the present system of imprisoning people" and sent it to the premier, the chief procurator, and the minister of interior. They have called attention to the inhumane way in which political prisoners are treated at the Chi Hoa, Thu Duc, Z30D Ham Tan, Xuan Phuoc, Phu Yen, and Nam Ha camps and other places where they have lived.

Unlike the White Paper of Pham Van Thanh, which was secretly smuggled out of the country and, with the help of the Committee To Protect the Rights of Vietnamese, sent to the United Nations and to the powerholders in



Hanoi, the above protest, dated 1 April 1994, was sent directly to the Ba Sao Camp Control Board and then sent to Hanoi. After turning this over, the four people who signed the protest called for a "halt to all forms of manual labor" and demanded an improvement in the "present system of incarceration, (which has) many elements that are not in accord with international human rights agreements, international law, international legal practices, or even Vietnamese laws." They said that:

"Criminals come from all elements of society. Monks, priests, and intellectuals have been imprisoned together with common criminals. The prisons are very overcrowded, and so space is very limited (50-60 cm per person). Little is done to look after the health of the prisoners. When prisoners get sick, there is no medicine for them. The clinics are usually small and lack good sanitation, and those with minor illnesses are often confined with patients who have contagious diseases.

"At almost all of the camps, most forms of entertainment and study are prohibited (singing and the study of foreign languages and even culture are prohibited). In many cases, cadres beat prisoners with rattan canes and force prisoners to serve them.

"All prisoners, regardless of their crime, are forced to do manual labor, usually heavy labor, eight hours a day and sometimes even on Sunday." Hard labor is a form of physical abuse aimed at taking revenge on them. But the fruits of the labor of prisoners is an "economic effect" that enriches the camp and serves the interests of officials. "Some camps such as the Nam Ha camp have made it the responsibility of prisoners to 'enrich the camp.'"

After the protest was sent, Professor Hoat was immediately transferred to the Thanh Cam camp in Thanh Hoa. There, he was chained, put in isolation, and not allowed to contact relatives outside. Professor Hoat was sentenced to 15 years in prison for publishing letters in "Freedom Forum." Tran Tu, Tran Manh Quynh, and Ly Tong, who are American citizens, were given sentences ranging from 20 years to life in prison.

Four others who have been mistreated at the Ba Sao and Nam Ha camps are Thich Tri Tuu, Thich Hai Tang, Thich Hai Chanh, and Thich Hai Thinh, who are members of the Unified Vietnamese Buddhist Church. They were given sentences of three to four years in prison for participating in demonstrations in Hue on 24 May 1993. In a letter dated 20 August 1994 that was sent to the Committee To Protect the Rights of Vietnamese, these monks stated that they "are forced to work very hard and beaten. This is a disgraceful policy." When people get sick, they are not treated. "People's health has deteriorated seriously. Treatment at the camp is very harsh, and people are not given medicines and foodstuffs. Even visits are not permitted." After an eight-week hunger strike during April and May this year, these four monks were transferred to Camp B, which is reserved for

bandits and robbers. They were sent there for the evil purpose of using others to punish them.

#### \* Harsh Treatment Charged

952E0056C Paris QUE ME in Vietnamese Jan-Feb 95  
pp 106, 107

[FBIS Translated Text] "The Oppression and Enslavement of Prisoners and the List of 127 Sick Political Prisoners Denied Medicine"

Yesterday (2 October 1994), the Committee To Protect the Rights of Vietnamese received another response from Pham Van Thanh, a political prisoner who is being held at Camp A 20 in Phu Yen. He provided a list of the names of the 127 political prisoners who are seriously ill and who are not being given any medicine or treatment so that the committee can intervene.

Pham Van Thanh was transferred to this camp from the Ministry of Interior prison in Saigon on 14 September 1993. This 34-year-old man left France and returned to Vietnam on 28 February 1993 in order to participate in a peaceful demonstration together with monks and priests. He was arrested on 5 March 1993, and on 23 August 1993 the communist court falsely charged him with "planting explosives in an attempt to topple the people's regime" and sentenced him to 12 years in prison.

The lives of the political prisoners in Phu Yen, a place that is called the "valley of death," is depicted as follows:

"Of the more than 200 political prisoners imprisoned here (A 20), 60 percent are serving sentences of more than 15 years, and 90 percent are people who engaged in political opposition activities after 1975. Of the more than 2,000 prisoners who have died here, 60 percent died because of being forced to engage in hard labor but not being provided with sufficient food. The other 40 percent died from being tortured.

"Among these are the priests Dinh Van Hien, Mai Dac Chuong, and Nguyen Van De; the Buddhist monks Tue Sy, or Pham Van Thuong, Le Hien, and Nguyen Hu Tin; and the Cao Dai priest Ho Huu Khanh. The camp is divided into eight separate areas. One building is being torn down to be replaced by a bigger building, a storehouse, and a 'hospital.' The other six buildings house an average of 80 prisoners each. Each prisoner has an average of 0.70 meters. Each building has a second story, but there is no walkway between the two floors. There are four roll calls each day plus another four each time prisoners leave for and return from labor. When prisoners go on labor details, they are accompanied by cadres and noncommissioned officers carrying rifles. When people enter or leave the camp, they are searched carefully.

"The camp prohibits prisoners from studying or teaching foreign languages and from engaging in any religious activities (such as reading the bible, preaching,



performing ceremonies, and so on) because such activities are regarded as superstitious. Those who commit a violation are disciplined by being put in chains and held in isolation. The cells are only 2.5 square meters in size. The standard meal is a bowl of rice gruel with salted water. Other than that, they are not provided with anything else. There are almost no public health standards, and this is the main reason cause of death of the more than 2,000 prisoners who have died at this camp since 1978. There is a serious shortage of clothing and mosquito nets. These prisoners must engage in hard labor and are never paid. Aspirin is the only medicine given to treat illnesses. People go to the hospital to die. (For example, Mr. Tuong and Mr. Truc died at the Tuy Hoa Hospital.)

"The political prisoners are incarcerated with murderers, rapists, and robbers in order to monitor the political prisoners. Political prisoners can be insulted at any time by murderers and others. Political prisoners can be offended or hurt at any time.

"The labor strength of the prisoners is exploited to the maximum to enrich the camp cadres. A typical example is the 'brick furnace unit.' Each member of this unit must produce 1,400 bricks a day. These bricks are sold to people in society at a price of 140,000 dong per 1,000 bricks. But each month, the members of the brick unit are paid only 30,000 dong. However, if they take a day off because they are sick, 1,300 dong is subtracted from their pay. Each month, unit members must pay a camp jailer fee of 1 million (dong) from average gross earnings of 4 million dong per month. The guards take the remaining 3 million dong. This is the worst labor unit. But the situation at the furniture and agricultural units is very similar. The profits all go into the pockets of the supervisory cadres or guards. At the forestry and agricultural units, in addition to the time spent working for the camp, prisoners must also work for the guards, or the guards have prisoners do work for people outside the camp, with all the money received for this labor going into the pockets of the cadres."

#### \* List of Prisoners Published

952E0056D Paris QUE ME in Vietnamese Jan-Feb 95  
pp 107, 108

[FBIS Translated Text] List of the 127 Political Prisoners Who Are Ill and Who Lack Medicines

The list provided by Mr. Thanh states the name, age, and number of years that each prisoner has been in prison. We have not had time to check the records of all those on this list, but we have checked a number of cases. For example, No 108 is listed as Thich Tue Sy, who was arrested in 1984 and who was sentenced to death in 1988. But thanks to the powerful international movement carried on by the Committee To Protect the Rights of Vietnamese and overseas Vietnamese, the power-holders in Hanoi had to reduce the death sentences given

to Tue Sy, Tri Sieu (Le Manh That), and Tran Van Luong to 20 years in prison.

1. Vu Ngoc Quy, age 62, 18 years; 2. Le Minh Nien, age 54, 18 years; 3. Thai Phi Kich, age 52, 17 years; 4. Ho Ngoc An, age 40, 17 years; 5. Nguyen Van Bao, age 60, 17 years; 6. Pham Huu Thien, age 57, 17 years; 7. Tran Tan Sang, age 56, 17 years; 8. Vu Ngoc Tam, age 44, 17 years; 9. Nguyen Do, age 41, 17 years; 10. Le Cam Son, age 49, 17 years; 11. Nguyen Van Long, age 59, 17 years; 12. Le Van Tuoi, age 39, 16 years; 13. Lo Van Hieu, age 34, 16 years; 14. Nguyen Minh Kha, age 52, 16 years; 15. Nguyen Trung Ca, age 49, 16 years; 16. Dinh Trieu Mau, age 48, 16 years; 17. Nguyen Thung, age 40, 16 years; 18. Le Quang Quang, age 52, 16 years; 19. Huynh Thuc Bao, age 58, 16 years; 20. Huynh Ngoc Hiep, age 40, 16 years; 21. Nguyen Van Doan, age 44, 16 years; 22. Nguyen Van Manh, age 58, 16 years; 23. Nguyen Van Long, age 39, 16 years; 24. Hoang Van Minh, age 37, 16 years; 25. Dinh Ngoc Bich, age 44, 16 years; 26. Nguyen Van Sang, age 50, 16 years; 27. Trinh Van Liem, age 40, 16 years; 28. Tran Thien Can, age 57, 16 years; 29. Duong Ban, age 57, 16 years; 30. Nguyen Van Tien, age 41, 16 years; 31. Nguyen Dinh Oai, age 38, 16 years; 32. Nguyen Ba Tan, age 50, 16 years; 33. Nguyen Ba Chi, age 45, 16 years; 34. Thach Chuong, age 43, 16 years; 35. Mai Van Phuc, age 40, 16 years; 36. Hoang Quoc Viet, age 38, 16 years; 37. Nguyen Van Trung, age 41, 16 years; 38. Le Van Hoa, age 38, 16 years; 39. Vo Ly Sanh, age 52, 16 years; 40. Nguyen Van Sanh, age 55, 16 years; 41. Lai The Huong, age 39, 16 years; 42. Nguyen Van Tuan, age 39, 16 years; 43. Lo Van Thu, age 46, 16 years; 44. Vu Dinh Thuy, age 46, 16 years; 45. Nguyen Quoc Bao, age 55, 16 years; 46. Nguyen Ngoc Xuan, age 58, 16 years; 47. Nguyen Tan Dong, age 59, 16 years; 48. Nguyen Van Tin, age 52, 17 years; 49. Le Van Ky, age 62, 16 years; 50. Nguyen Van Nho, age 58, 15 years; 51. Nguyen Song Ngoc, age 55, 15 years; 52. Bui Hue, age 46, 15 years; 53. Nguyen Duc Tuan, age 58, 15 years; 54. Nguyen Ngoc Phuong, age 38, 15 years; 55. Nguyen Ngoc Lang, age 60, 15 years; 56. Huynh Ngoc, age 55, 15 years; 57. Nguyen Duc Hoa, age 53, 15 years; 58. Nguyen Duc Minh, age 42, 15 years; 59. Nguyen Ngoc Son, age 55, 15 years; 60. Nguyen Van Hue, age 40, 15 years; 61. Mai Xuan Phuoc, age 52, 15 years; 62. Nguyen Van duc, age 42, 15 years; 63. Tran Du, age 39, 17 years; 64. Vo Ngoc Toi, age 44, 15 years; 65. Nguyen Van Minh, age 40, 15 years; 66. Nguyen Truong Tam, age 42, 15 years; 67. Bui Dinh Phuong, age 55, 16 years; 68. Nguyen Van Co, age 38, 15 years; 69. Le Van Trung, age 38, 15 years; 70. Nguyen Van Ly, age 39, 15 years; 71. Nguyen Van Mau, age 55, 15 years; 72. Nguyen Minh Kim, age 39, 15 years; 73. Chau Van Toi, age 42, 15 years; 74. Nguyen Van Bao, age 58, 15 years; 75. Lo Van Trieu, age 40, 15 years; 76. Dong Van Minh, age 48, 15 years; 77. Nguyen Van Te, age 58, 15 years; 78. Nguyen Van Soi, age 52, 15 years; 79. Nguyen Anh Dung, age 40, 15 years; 80. Nguyen Huu Huong, age 42, 15 years; 81. Phan Van Loi, age 54, 15 years; 82. Vo Hong Phong, age 41, 15 years; 83. Nguyen Van Tro, age 50, 15 years; 84. Dang Minh Tam, age 48, 15 years; 85.



Nguyen Duc Hien, age 43, 14 years; 86. Dinh Ngoc Phuong, age 40, 15 years; 87. Nguyen Van Thuy, age 35, 14 years; 88. Trinh Bich, age 41, 14 years; 89. Hong Xuan Chinh, age 39, 14 years; 90. Mai Xuan Canh, age 40, 14 years; 91. Nguyen Van Hoa, age 50, 14 years; 92. Tran Dieu, age 42, 14 years; 93. Thach Sinh, age 49, 14 years; 94. Trinh Van Khai, age 51, 14 years; 95. Nguyen Van Chinh, age 49, 14 years; 96. Nguyen Thanh Hung, age 45, 13 years; 97. Bui Quyen, age 43, 12 years; 98. Y Ruoi, age 34, 13 years; 99. Le Minh Diet, age 42, 12 years; 100. Lo Minh Chi, age 40, 12 years; 101. Dao Dang Nhan, age 46, 12 years; 102. Nguyen Chuyen, age 49, 12 years; 103. Le Son Tung, age 43, 12 years; 104. Nguyen Van Diem, age 50, 12 years; 105. Nguyen Van Tan, age 46, 12 years; 106. Nguyen Van Giao, age 59, 9 years; 107. Mai Duc Chuong, age 56, 7 years; 108. Tue Sy, age 51, 9 years; 109. Nguyen Van Suong, age 46, 7 years; 110. Nguyen Van Do, age 51, 7 years; 111. Ly Ho, age 55, 6 years; 112. Ly Sa Ring, age 39, 6 years; 113. Ly Khynh, age 40, 6 years; 114. Tran De, age 36, 6 years; 115. Tran Tho, age 35, 6 years; 116. Dinh Van Be, age 35, 6 years; 117. Lam Van Den, age 28, 6 years; 118. Ly H. Vien, age 36, 6 years; 119. Tran Van Son, age 35, 6 years; 120. Do Bach Tho, age 32, 6 years; 121. Nguyen Van Binh, age 34, 6 years; 122. Duong Men, age 34, 6 years; 123. Nguyen Van Hung, age 36, 6 years; 124. Tran Len, age 36, 6 years; 125. Danh Tuan, age 33, 6 years; 126. To Van Hai, age 25, 6 years; and 127. Lam Thanh Tong, age 39, 6 years.

**\* Thanh's Letter to Authorities**

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pp 108, 109

[FBIS Translated Text] **Pham Van Thanh Tells Public Security Officials That He Was the Author of the White Paper**

After the Committee To Protect the Rights of Vietnamese published the White Paper of political prisoner Pham Van Thanh, which caused quite a stir in the press and aroused international public opinion, public security forces put pressure on Mr. Thanh to have him deny the facts. But Thanh wrote the following letter of confirmation:

**Letter of Confirmation**

To: The Supervisory Committee of Camp A20.

In accord with the request made at 0800 hours on 6 October 1994 by Captain Lam, the A20 security chief, and Captain Luan, the ideological education head at A20, I am writing this letter to confirm that I am responsible for a number of the things disclosed at the Office of the High Commissioner for Human Rights in Geneva based on the White Paper dated May 1994 that I wrote and sent to the High Commissioner for Human Rights, who then sent this to the Vietnamese government.

a. The disclosure of a list of names of 160 political prisoners (ideological opposition, imprisoned at Camp A20 for many years).

b. Prisoners who are sick and prisoners who have been in labor accidents and who have to be sent to the hospital in Tuy Hoa Province must pay everything themselves. This includes everything from hospital fees to food and cigarettes for the escorts and guards. The camp does not pay any of the expenses incurred during the treatment period.

c. Camp cadres cruelly beat prisoners with sticks and rifle butts.

d. Political prisoners are incarcerated together with robbers, murderers, and FULRO [United Front for the Liberation of Oppressed Races] prisoners. (Recently, one of these prisoners stabbed Dao Dinh Nhat four times with a knife 120 cm long. Mr. Nhat was stabbed three times in the body and one time in the head. Nhat, who was convicted for the same crime as I was, is now in a coma at the provincial hospital. Other prisoners have collected money to pay his hospital expenses.) Such stabbings are an indirect but very brutal form of pressure. Who will bear responsibility for such things as this?

In response to Cadre Lam's request for an explanation as to why I wrote the White Paper, I would like to cite the slogan that the government uses every day in news organizations, that is, the target to the year 2000 is to "have a prosperous people, strong country, and just and civilized society."

I am Vietnamese. The only thing that I crave is justice and prosperity for my native land. That is the reason why I wrote the White Paper.

In the same spirit, I accept full responsibility before the power of the Vietnamese government and before International Human Rights Public Opinion.

A20, Phu Yen, Vietnam 6 October 1994  
Signed: Prisoner Pham Van Thanh

**\* Prisoner Condemns Treatment of Thanh**

952E0056F Paris QUE ME in Vietnamese Jan-Feb 95  
pp 109, 110

[FBIS Translated Text] **Political Prisoner Pham Anh Dung Denounces Public Security Officials for Mistreating Pham Van Thanh**

Xuan Phuoc, 27 October 1994

To: The Human Rights Committee in France, the Office of the UN High Commissioner for Human Rights, and Vietnamese news agencies and political organizations:

Sirs:

On behalf of political prisoners in Vietnam in general and at the A20 camp in particular, I want to inform you of the retaliation and human rights violations of the



government of the Socialist Republic of Vietnam following the disclosure by international news agencies of the White Paper that Pham Van Thanh, who is currently imprisoned at the A20 camp, wrote and sent to the High Commissioner for Human Rights.

From 6 October 1994 to 25 October 1994, the communist government of Vietnam has used various means to oppress Pham Van Thanh in an effort to force Mr. Thanh to deny the fact that he is the author of the White Paper and reveal the method that he used to get this out of the camp and abroad. In the face of the most brutal punishments, including death, used by the Vietnamese communists, during the interrogations, Pham Van Thanh has rewritten the contents of the White Paper many times in order to confirm that he was the author, and he has resolutely refused to disclose the identities of those involved in creating the link abroad. After failing to hit the desired target, the Vietnamese Ministry of Interior announced that it would harshly punish Phan Van Thanh. The time and form of punishment has not yet been disclosed, but we want to confirm that Mr. Thanh's situation is very serious, and his future and the future of those close to him does not look very good.

In the face of the retaliatory steps taken by the communist government of Vietnam, which has constantly rejected "human rights," we respectfully request that you urgently intervene in all respects to force the communist government of Vietnam to respect the human rights of prisoners at the prison camps in particular and of the Vietnamese people in general. We ask you to pass on the following wishes to the communist government of Vietnam:

1. Strictly respect civic rights and human rights and implement real and all-round democratic freedoms.
2. Release all political prisoners and reexamine all criminal cases.
3. Fully respect the right to freedom of belief of all religions, restore the property of all churches that has been seized by the Vietnamese communists since 1975, and release all the spiritual leaders who have been arrested by the Vietnamese communists and who are still in prison.
4. The Vietnamese people must have the right to choose their own political system.
5. A general election must be held in Vietnam under the supervision of the United Nations.

While we wait for help, we want to express our sincerity and thanks.

Signed: Pham Anh Dung A Political Prisoner at A20

#### **\* Inmates Announce Hunger Strike**

952E0056G Paris QUE ME in Vietnamese Jan-Feb 95 pp 110, 111

[FBIS Translated Text] 250 Political Prisoners at the A20 Reform Camp Revolt Because of Not Being Allowed to

#### **Meet with a UN delegation; Pham Van Thanh Goes on a Hunger Strike and Has Been Placed in Isolation**

The UN human rights delegation headed by Louis Joinet, the head of the Action Team to Oppose Illegal Detention, visited Vietnam during the period 24 October to 2 November. Accompanying the delegation was Mr. Isaac Bitter, the secretary general of the action team; the Indian attorney Kapil Sibal; and Mr. Laity Kama, the chief justice of the Court of Appeals in Senegal. The purpose of the delegation's trip was to visit prisons and reform camps and to examine the laws and rights protecting prisoners in Vietnam.

According to a news source of the Committee To Protect the Rights of Vietnamese, the delegation visited five prisons and reform camps. But the delegation has not revealed the names of these camps to the international press.

This morning, the Committee To Protect the Rights of Vietnamese received a document entitled "The Supervisory Committee at Camp A20 Has Concealed Things From and Deceived the UN Delegation," which was sent by the "Political Prisoners Defense Committee" at Camp A20 in Phu Yen Province. This document discloses various details and the things that took place before and after the visit by the UN delegation.

According to the above data, at 1330 hours on 28 October 1994, all of the political prisoners, including the ill, were ordered to leave the camp at once. The day before, a number of other prisoners had been moved to another camp. A number of others were placed in isolation. That included Thich Tue Sy (Pham Van Thuong), Thich Phuoc Vien (Le Hien), Thich Tam Can (Nguyen Huu Tin), Pham Van Thanh, Le Hoan Son, Pham Anh Dung, and Nguyen Ngoc Dang.

At 1800 hours on 28 October 1994, the UN delegation headed by Mr. Joinet visited Camp A20 in Phu Yen Province. This camp is called the "Valley of Death." The 2,000 graves surrounding the camp are proof of the barbaric treatment meted out to political prisoners and other prisoners of conscience during the period 1976 to 1987. The UN delegation asked to visit eight rows of buildings at the camp and meet with political prisoners. But the camp supervisory committee said that "all of the prisoners are involved in flood relief work in the Mekong Delta" (sic). The delegation was able to meet with only four "model" prisoners who were dressed neatly, who looked well fed, and who, of course, "praised the party's and state's lenient measures and policies toward prisoners." This visit lasted two hours. During that time, most of the camp areas were ordered to turn off the electricity and keep things quiet in order to create a deserted atmosphere.

At 2200 hours, the political prisoners who had been moved out of the camp were allowed to return to their barracks.



After learning that the UN delegation had visited their camp and that they had not been allowed to meet with the delegation in order to explain the harsh conditions in communist camps and denounce the inhumane system of incarceration, 94 political prisoners in one cell block expressed their anger at 0500 on 29 October 1994. This demonstration spread to other cell blocks. Finally, all 250 political prisoners expressed outrage over the fact that the supervisory committee had deceived the UN delegation. Seven of these prisoners were taken and questioned by public security forces; the other 87 demanded that steps be taken to solve this problem.

At 2000 hours that same day, Pham Van Thanh announced that he was going on a hunger strike to protest this. On the morning of 30 October 1994, two prisoners, Hoang Xuan Chinh and Tran Nam Phuong, helped Pham Van Thanh announce his "hunger strike" to protest the fact that the camp supervisory committee had violated international agreements in preventing political prisoners from meeting with the UN human rights delegation. Gradually, the hunger strike spread to the 250 political prisoners at Camp A20.

In the face of the open opposition by the entire camp, the supervisory committee had to use public security forces in conjunction with army troops to suppress the prisoners. Shots were fired, and many people were wounded. On the afternoon of 30 October 1994, Pham Van Thanh was put in chains and placed in isolation. This action rendered him helpless after just a short period of time, because the chains cut off his circulation.

This revolt and hunger strike lasted a week and ended only when the public security forces used force. Tens of "hard-headed" prisoners have been placed in isolation.

#### \* Inmates Transferred to Thanh Hoa

952E0056H Paris QUE ME in Vietnamese Jan-Feb 95  
p 111

[FBIS Translated Text] In Retaliation for the Revolt, 10 Political Prisoners at Camp A20 Have Been Transferred to Camp B5 in Thanh Hoa

In order to retaliate against and sow discord among the political prisoners in Phu Yen, on 6 November 1994, 10 prisoners were transferred to Camp B5 in Thanh Cam Hamlet, Thanh Lam Village, Thanh Hoa Province. This camp is in an isolated mountain area.

Based on an investigation conducted by the Committee To Protect the Rights of Vietnamese, the political prisoners who were transferred include four domestic political prisoners, that is, Mai Dac Chuong, Tran Van Luong, Pham Duc Kham, and Le Thien Quang, and six overseas political prisoners, that is, Pham Anh Dung, Nguyen Ngoc Dang, Nguyen Van Muon, Le Hoan Son, Pham Van Thanh, and Do Hong Van.

#### \* 'Notice' to Authorities Issued

952E0056I Paris QUE ME in Vietnamese Jan-Feb 95  
pp 111, 112

[FBIS Translated Text] The "Notice" of Prisoner Hoang Xuan Chinh

Notice:

(Nonviolent struggle against those actions that have violated the human rights of the political prisoners at Camp A20)

To: The president of the Socialist Republic of Vietnam, the premier of the Socialist Republic of Vietnam, all administrative echelons concerned of the SRV, and the Leadership Committee of Camp A20 (Xuan Phuoc):

Sirs:

My name is Hoang Xuan Chinh. I was born in 1954 in Quang Nam-Danang. I was convicted of plotting to overthrow the regime and sentenced to 16 years in prison. I am now at Unit 12A, Barracks 2A. I would like to inform you of the following:

At 1330 hours on 28 October 1994, the camp leadership committee took flood and typhoon control measures at a time when we were not experiencing flooding or a typhoon. It was only raining intermittently, and a cold wind was blowing. All of the prisoners at Camp A20, including both ordinary prisoners and political prisoners, were concealed in the blockhouse, storehouse, and even the pig sty or forced to work in the wet fields after hours. Thus, this was not flood or typhoon control work but a cynical and crude way of tricking the political prisoners and other prisoners to prevent us from meeting with the UN human rights delegation, a meeting that had been requested by this delegation. On the morning of 29 October 1994, Cadre Luan, a camp education cadre, announced that "In the name of my fellow cadres, I ask that Barracks 2A appoint a representative. We will take him to meet with the human rights delegation if it is still there (it was)."

While all the political prisoners in Barracks 2A were carrying on a nonviolent struggle and asking the supervisory committee to honor this request, armed cadres surrounded the barracks, and security cadres talked with Pham Van Thanh: "Hey, Thanh. What you have been talking about is international law, not Vietnamese law." I thought that Vietnam was a member of the United Nations and, therefore, pursuant to Vietnamese law, this is a violation of the International Declaration on Human Rights.

In the face of this situation, I went on a hunger strike in order to wage a nonviolent struggle, because my human dignity and that of my fellow political prisoners had been violated.

These are the requests that we have sent to the camp leadership committee, with no response. We hope that



all echelons will take suitable steps to deal with the problems so that we can set our minds at ease while serving our sentences:

1. We were tricked into staying out in the rain and were locked up in order to prevent us from meeting with the human rights delegation. That was a violation of our human dignity. I ask that someone explain this and take responsibility for this action.

2. Someone must explain to us why we were prevented from meeting with the international human rights delegation in view of the fact that Vietnam is a member of the United Nations.

3. When we announced that we were going to wage a nonviolent struggle in accord with international law, camp cadres said that that was contrary to Vietnamese law. Our lives have been seriously threatened, but nothing has been done about that.

This letter is addressed to all the echelons concerned in the hope that a satisfactory solution can be found in the face of the struggle by political prisoners at A20. I want to state that I will continue to wage a nonviolent struggle until the problem has been solved. I will not bear responsibility for any of the things that the leadership committee or echelons have forced me to do.

Xuan Phuoc, 30 October 1994

Prisoner Signature: Hoang Xuan Chinh

#### \* 'Report 1' on Struggle

952E0056J Paris QUE ME in Vietnamese Jan-Feb 95 p 112

[FBIS Translated Text] Report 1 by Political Prisoners on the Struggle

Vietnam, 29 October 1994

Report

To: The UN High Commissioner for Human Rights, Vietnamese human rights organizations, international news agencies, and Vietnamese in and outside the country.

Sirs:

We, a group of political prisoners, are being held at Barracks A2 at the Xuan Phuoc prison camp. We would like to inform you of what occurred on 29 October 1994.

At 0515 hours that morning, all political prisoners in Barracks A2 shouted the slogan "Human rights for Vietnam" in the Vietnamese, French, and English languages. We were still shouting this slogan at 0800 hours to show our opposition to the deception practiced by the camp supervisory committee, which had taken all the prisoners and kept them locked up in various places outside the camp from 1300 hours to 1900 hours for the stated purpose of "practicing typhoon control." Besides this, from information secretly smuggled into the camp,

it was learned that a UN human rights delegation was then outside the camp. At 2000 hours on 28 October 1994, the delegation entered the camp, but it was taken only to the barracks of ordinary prisoners and allowed to meet only with selected prisoners. Those barracks had been built just recently. Naturally, the delegation did not meet with any real political prisoners, who had hurriedly been assigned to barracks 1A and 2A. (There are 56 prisoners in 1A and 82 in 2A. Of these, 95 percent are political prisoners. They have been kept locked up for four days now. Barracks 2A is very cramped, and sanitation and disease is a serious problem, because those locked up there include people with tuberculosis.)

We have resolutely waged a nonviolent struggle to demand justice and to meet with the UN human rights delegation.

It is now 0840 hours. The gates to the camp have all been closed, and the supervisors have given orders to crush our struggle. Pham Van Thanh, Tue Sy (Pham Van Thuong), Le Hoan Son, Nguyen Ngoc Dang, and everyone in Barracks 2A have been ordered to assemble in the auditorium in order to take us away and put us in isolation. We oppose this order and demand that the camp supervisory committee clarify the action it took yesterday, 28 October 1994, when it deceived prisoners. At the same time, we demand that steps be taken to enable us to meet with the UN human rights delegation.

In this dangerous atmosphere, we cannot prepare a detailed report properly. We hope you will understand.

Respectfully,

A20 Xuan Phuoc, Vietnam

On behalf of the political prisoners at A20

Signed, Pham Van Thanh

#### \* 'Captain' Supports Struggle

952E0056K Paris QUE ME in Vietnamese Jan-Feb 95 pp 112, 113

[FBIS Translated Text] Captain Vuong Van De at Camp A20, Phu Yen, Supports the Struggle of the 250 Political Prisoners

"Down with dictatorial communism!" "I support the political prisoners. Destroy the camp; I will provide protection!" "If I am killed, notify my family in Bac Thai. My name is Vuong Van De. My family lives in Bac Thai. Please don't abandon me."

Those were the words shouted by Captain Vuong Van De before he was arrested for supporting the struggle of the 250 prisoners at Camp A20, who are protesting for not being allowed to meet with the UN human rights delegation led by Mr. Joinet, which visited Vietnam at the end of October.

Following the receipt of the "Denouncement of the Camp A20 Supervisory Committee for Deceiving the UN Human Rights Delegation," which was disclosed in a press release yesterday (22 November 1994), this



morning, the Committee To Protect the Rights of Vietnamese received a second report that provided details on the struggle waged at the camp on 28, 29, and 30 November 1994.

**\* 'Report 2' on Mistreatment**

952E0056L Paris QUE ME in Vietnamese Jan-Feb 95  
p 113

[FBIS Translated Text] Report 2

Vietnam, 29 October 1994

To: All Vietnamese and international human rights organizations, news agencies, and compatriots in and outside the country.

AT 0900 hours the Camp A20 supervisory committee mobilized many public security officials carrying clubs, electric prods, handcuffs, chains, and so on. In coordination with self-control forces (ordinary prisoners who have been given special privileges by the camp), they surrounded Barracks 2A and tried to force all the prisoners from the building in order to take them to a prearranged place in the camp. But only five people in the barracks came out. The rest resolutely waged a nonviolent struggle, demanding that the camp supervisory committee allow political prisoners to meet with the UN human rights delegation. Those in the barracks shouted slogans on human rights and non-violent struggle. At 1000 hours, in the face of this, the camp supervisors (whose actions were closely followed by Ministry of Interior cadres in the sentry boxes) were unable to carry out their plan of isolating people. We will strive to report on what happens.

Now, the 77 prisoners in A2 and those in A1 (including Tue Sy and Le Hoan Son) are resolutely refusing to leave the building in order to express their opposition to yesterday's deception, when prisoners were taken out into the fields or to camp production blockhouses, leaving no one in the camp. The reason given was that they were going to "practice flood control." The prisoners are also demanding that they be allowed to meet with the UN human rights delegation.

At 2000 hours on 28 October 1994, the delegation entered the camp but was allowed only into the areas where ordinary criminals are kept. They met and talked only with designated people. The camp also arranged for four people to leave the camp and meet with the delegation. These four people had been carefully selected and were forced to give responses beneficial to the camp and the authorities. They denied that prisoners are beaten or that there are political prisoners. These people are not qualified to represent the political prisoners presently imprisoned at A20.

It is now 2000 hours on 29 October 1994. I, Pham Van Thanh, have announced that I will go on a hunger strike beginning tomorrow afternoon. Other political prisoners will go on a hunger strike, too. We are waging a resolute

struggle in order to have a chance to meet directly with the delegation in order to demonstrate our political credentials.

At 2000 hours on 28 October 1994, the political prisoners were confined in a separate area, and so we did not know that the delegation had come to the camp. In the morning, while the delegation was still outside the camp, 82 prisoners shouted "human rights SOS" from 0500 hours to 0900 hours regardless of the armed suppression.

I must also mention an officer who supported us throughout the morning and early afternoon of 28 October 1994 (at that time, we did not know that the human rights delegation had entered the camp). This officer was given an anesthetic and removed from the camp when he started shouting from a sentry box: "Down with dictatorial communism!" "I support the political prisoners. Destroy the camp; I will provide protection." "If I am killed, notify my family in Bac Thai. My name is Vuong Van De. My family lives in Bac Thai. Don't abandon me!" That is a cadre with a lofty concept of democracy. He wears the insignia of a captain. For days, he witnessed the suppression of political prisoners and so he took this action when he saw an unprecedented number of public security forces here on 28 October 1994. We want to inform the UN human rights delegation of this incident.

I will stop here for now.

Respectfully,  
Pham Van Thanh

**\* 'Report 3' From Hunger Strikers**

952E0056M Paris QUE ME in Vietnamese Jan-Feb 95  
pp 113, 114

[FBIS Translated Text] Report 3

To: The premier of the Socialist Republic of Vietnam, the administrative echelons concerned, and the supervisory committee at the Xuan Phuoc Camp.

We, the political prisoners at Camp A20 in Xuan Phuoc, want to inform you about the nonviolent struggle that we are waging because of the great damage done to our honor by the events that took place on the afternoon of 28 October 1994.

We will stage a resolute, but nonviolent hunger strike in order to change the attitude of the A20 supervisory committee. What happened is as follows:

At 1330 hours on 28 October 1994, the camp launched a flood-control operation and removed everyone from the camp, including those who are old and sick. Under the control of education and security cadres and armed forces, the prisoners were locked in storehouses, blockhouses, and even pig sties.

That evening, we were suddenly allowed to return and were taken straight to our barracks.



It wasn't until 29 October 1994 that we learned about the arrangements made by the camp supervisory committee on 28 October.

The Ministry of Interior arranged things so that the UN human rights delegation would not have a chance to meet with us. Instead, arrangements were made for it to interview a number of people, but these people do not have sufficient political credentials or they were pressured not to tell the delegation the truth. These were the people picked by the camp to represent the political prisoners at Camp A20.

This action has seriously damaged our human dignity. This is the reason we are going on a hunger strike. We ask the various echelons to solve the following two problems:

1. We ask the government of the SRV to take a position on this event.
2. We ask that we be allowed to meet directly with the UN human rights delegation.

Xuan Phuoc, 30 October 1994

Signed,

A. Those going on a hunger strike of unlimited duration beginning 30 October 1994 (three people): Pham Van Thanh, Hoang Xuan Chinh, and Tran Nam Phuong.

B. Those going on a three-day hunger strike from 31 October 1994 to 2 November 1994 (10 people): 1. Nguyen Van Trung, 2. Phan Van Loi, 3. Tran Duc Hao, 4. Le Thien Quang, 5. Truong Nhat Tan, 6. Tran Minh Tuan, 7. Vo Dinh Nhuy, 8. Huynh Ngoc Tuan, and 9. Pham Anh Dung [as published].

Vietnam, Phu Yen, 9 October 1994 [as published]

Pham Van Thanh

Vietnamese political prisoner A20 prison camp,  
Vietnam



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